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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8419

Annual Report 2017

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CONTENTS

Corporate Information	3
Chairman's Statement	5
Management Discussion and Analysis	6
Corporate Governance Report	15
Environmental, Social and Governance Report	24
Report of the Board of Directors	30
Biographies of Board of Directors and Senior Management	40
Independent Auditor's Report	44
Consolidated Income Statement	49
Consolidated Statement of Comprehensive Income	50
Consolidated Statement of Financial Position	51
Consolidated Statement of Changes in Equity	53
Consolidated Statement of Cash Flows	54
Notes to the Consolidated Financial Statements	56
Financial Summary	108

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Wong Man Por
Mr. Wong Wah

COMPLIANCE OFFICER

Mr. Wong Man Por

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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COMPLIANCE ADVISER

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AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
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CORPORATE INFORMATION (continued)

COMPANY SECRETARY

Mr. Wong Wah

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STOCK CODE

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PRINCIPAL BANKER

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OCBC Wing Hang Bank Limited
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Hong Kong

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

CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "**Board**") of the Company, I am pleased to present the audited consolidated annual financial statements of AV Promotions Holdings Limited (the "**Company**") and its subsidiaries (together referred to as the "**Group**") for the year ended 31 December 2017.

Leveraging on years of experience and competitive strengths of the Group, including leading visual, lighting and audio solutions provider in Hong Kong, the People's Republic of China ("**PRC**") and Macau, strong capabilities for providing customised visual display solutions and technical support, large quantity and wide range of visual display equipment; and experienced management and technical staff with strong knowhow and expertise, the management team of the Group effectively expand the Group's customer base and maintained a growth in terms of overall sales. The Group recorded a higher revenue of approximately HK$208.1 million for the year ended 31 December 2017, representing an increase of approximately HK$24.1 million or 13.1% as compared with the year ended 31 December 2016. The gross profit of the Group for the year ended 31 December 2017 increased by approximately 12.4% to approximately HK$48.5 million from HK$43.1 million for the year ended 31 December 2016. The Group's loss was approximately HK$4.6 million for the year ended 31 December 2017, representing a decrease of approximately HK$10.9 million as compared with a profit of approximately HK$6.3 million for the year ended 31 December 2016. The decrease was mainly due to the recognition of the listing expenses of approximately HK$14.0 million (2016: HK$4.3 million) in connection with the Listing for the year ended 31 December 2017. Taking no account of the listing expenses and other (losses)/gains, the Group's adjusted profit for the year ended 31 December 2016 and 2017 would have been approximately HK$9.9 million and HK$9.8 million, respectively, representing a decrease of approximately HK$0.1 million or 1.0% as compared with the year ended 31 December 2016.

The shares of the Company (the "**Shares**") have been listed (the "**Listing**") on the GEM of the Stock Exchange by way of placing and public offer (collectively, the "**Share Offer**") on 21 December 2017 (the "**Listing Date**").

The proceeds from by way of placing and public offer have strengthened the Group's cash flow position and enabled the Group to implement its future plans and business strategies as set out in the section headed "Statement of Business Objectives and Use of Proceeds" in the prospectus of the Company dated 8 December 2017 in relation to the Share Offer (the "**Prospectus**").

Looking forward, the Group will make steady progress in accordance with the plans formulated before its Listing and its actual operational conditions, so as to facilitate effective implementation of the business objectives of the Company and bring benefits from it.

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

Wong Man Por
Chairman

Hong Kong, 20 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of visual, lighting and audio solution services in Hong Kong, the PRC and Macau. During the year ended 31 December 2017, we participated in aggregate over 1,300 visual, lighting and audio projects including but not limited to (i) various large scale auto shows in over 15 locations in the PRC; (ii) certain events for celebrating the 20th anniversary of the establishment of Hong Kong Special Administrative Region; (iii) certain events for celebration of the National Day of the PRC; (iv) Hong Kong's first e-sports and music festival and China Esports Carnival; (v) Macau Light Festival; (vi) conferences related to "One Belt, One Road", Asian Financial Forum, Internet Economy Summit and Global Tourism Economy Forum.

The Group derived approximately 60.1% of its total revenue during the year ended 31 December 2017 from exhibition (2016: 60.5%), the majority of which took place in Hong Kong and the PRC. The remainder of the Group's revenue was attributable to other events, including ceremony, conference, concert, TV show, product launch and others.

During the year, the Group has entered into a long term agreement with a company established in the PRC which provides exhibition planning and engineering services. The Group will provide visual, lighting and audio solutions services for its motor shows scheduled for 2017 to 2019.

The shares of the Company were successfully listed on the GEM of the Stock Exchange by way of placing and public offer on 21 December 2017, which marked a significant milestone for the Group. The net proceeds raised from Listing amounting to approximately HK$27.6 million will help the Group to implement its business plan, which include (i) acquisition of advanced visual, lighting and audio equipment; (ii) setting up a new studio in Shanghai and; (iii) improving operating efficiency – development of a new backdrop construction team and hiring technicians. The Group believes that the successful implementation of the above business plan will help the Group to strengthen the Group's position as a leading visual, lighting and audio solution provider in Hong Kong, the PRC and Macau and create long-term Shareholders' value.

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

Principal Risks and Uncertainties

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

FINANCIAL REVIEW

Revenue

The Group generates revenue from the provision of one-stop visual, lighting and audio solutions to its customers in various events, including exhibition, ceremony, conference, concert, TV show, product launch and others.

The following table sets out a breakdown of the number of events and the Group's revenue by events during the year ended 31 December 2017 with comparative figures for the year ended 31 December 2016.

	Year ended 31 December					
	2017			2016		
	Number of project	HK$'000	%	Number of project	HK$'000	%
Exhibition	536	125,110	60.1	520	111,366	60.5
Ceremony	144	26,937	12.9	187	19,012	10.3
Conference	154	15,489	7.4	184	14,482	7.9
Concert	74	10,162	4.9	66	10,206	5.5
TV show	112	9,912	4.8	149	9,875	5.4
Product launch	50	10,119	4.9	86	9,256	5.0
Others (Note)	311	10,407	5.0	259	9,782	5.4
Total	1,381	208,136	100.0	1,451	183,979	100.0

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

During the year ended 31 December 2017, the Group principally derived its revenue from exhibition which accounted for approximately 60.1% of the Group's total revenue (2016: 60.5%). The Group's revenue increased from approximately HK$184.0 million for the year ended 31 December 2016 to approximately HK$208.1 million for the year ended 31 December 2017, representing an increase of approximately 13.1%.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Revenue analysis by geographical location

The following table sets out the revenue of the Group by geographical location during the year ended 31 December 2017 with comparative figures for the year ended 31 December 2016.

	Year ended 31 December			
	2017		2016	
	HK$'000	%	HK$'000	%
The PRC	124,501	59.8	93,629	50.9
Hong Kong	66,110	31.8	78,499	42.7
Macau	17,525	8.4	11,851	6.4
Total	208,136	100.0	183,979	100.0

During the year ended 31 December 2017, the Group provided services for the auto shows in various cities in the PRC and a light festival in Macau. Therefore, the Group had a higher revenue in the PRC and Macau for the year ended 31 December 2017 as compared with the year ended 31 December 2016.

Cost of sales

The following table sets out the components of the cost of services of the Group during the year ended 31 December 2017 with comparative figures for the year ended 31 December 2016.

	Year ended 31 December			
	2017		2016	
	HK$'000	%	HK$'000	%
Equipment rental cost	78,752	49.3	53,859	38.3
Employee benefit expenses	33,854	21.2	36,621	26.0
Material cost of consumables	14,393	9.0	14,607	10.4
Depreciation of property, plant and equipment	13,569	8.5	14,043	10.0
Freight expenses	6,399	4.0	9,731	6.9
Travel expenses	6,726	4.2	6,356	4.5
Other expenses	5,913	3.8	5,591	3.9
	159,606	100.0	140,808	100.0

Equipment rental cost

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. For the year ended 31 December 2017, equipment rental cost represented approximately 49.3% (2016: 38.3%) of total cost of services.

Depreciation

Depreciation charges mainly represent deprecation on the Group's visual and display equipment at a rate of 15% to 30% per annum. For the year ended 31 December 2017, depreciation of equipment represented approximately 8.5% (2016: 10.0%) of total cost of services.

Employee benefit expenses

Employee benefit expenses 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. For the year ended 31 December 2017, labour costs represented approximately 21.2% (2016: 26.0%) of total cost of services.

Material cost of consumables

Material cost mainly represent consumables and backdrop materials. For the year ended 31 December 2017, material costs represented approximately 9.0% (2016: 10.4%) of total cost of services.

Freight expenses

Freight expenses mainly represent logistics and transportation cost of delivering our equipment to and from the warehouse and the project location. For the year ended 31 December 2017, freight expenses represented approximately 4.0% (2016: 6.9%) of total cost of services.

Travel expenses

Travel expenses mainly represent travelling expenses of our technical staff and ad hoc manpower to and from project sites, and their hotel accommodation at the project sites. From time to time the project location of our customers might require staff travelling; cost in association with such travelling will be recorded as travelling expense as part of the cost of sales. For the year ended 31 December 2017, travel expenses represented approximately 4.2% (2016: 4.5%) of total cost of services.

Gross profit

Gross profit of the Group for the year ended 31 December 2017 amounted to approximately HK$48.5 million (2016: HK$43.2 million), representing gross profit margin of approximately 23.3% (2016: 23.5%). There was no significant change during the year.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Other (losses)/gains

Other (losses)/gains of the Group mainly represent exchange differences. The Group's other (losses)/gains decreased by approximately 166.7% from gains of approximately HK$0.6 million for the year ended 31 December 2016 to losses of approximately HK$0.4 million for the year ended 31 December 2017, primarily due to non-recurring items of interest income from investments in insurance contracts of HK$0.7 million (2017: nil), gain on disposal of a subsidiary of HK$0.2 million (2017: nil) and changes in value on investments in insurance contracts of HK$0.2 million (2017: nil) during the year ended 31 December 2016.

Selling expenses

Selling expenses mainly comprised of staff cost of our Group's sales and marketing department, entertainment expense in association with business solicitation, advertising expense and travel expense of our sales department. The Group's selling expenses increased by approximately 20.6% from approximately HK$3.4 million for the year ended 31 December 2016 to approximately HK$4.1 million for the year ended 31 December 2017, which is primarily due to the increase in sales staff cost at approximately HK2.4 million (2016: HK$1.7 million).

Administrative expenses

The administrative expenses of the Group mainly include administrative staff costs, rent and rate, Listing expenses and others. The Group's administrative expenses increased by approximately 48.9% from approximately HK$27.6 million for the year ended 31 December 2016 to approximately HK$41.1 million for the year ended 31 December 2017, primarily due to the recognition of the Listing expenses of approximately HK$14.0 million incurred for the preparation of the Listing during the year ended 31 December 2017 (2016: HK$4.3 million).

Finance expenses – net

The finance expenses – net of the Group mainly consist of interests on bank borrowings which were wholly repayable within five years, interest expenses on obligations under finance leases and interest income from daily bank balance and deposit. The Group's finance expenses-net increased by approximately 18.9% from approximately HK$3.7 million for the year ended 31 December 2016 to approximately HK$4.4 million for the year ended 31 December 2017 which was mainly due to the new borrowings from banks during the year.

Income tax expenses

The Group is subject to income tax on an enterprise basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. During the years ended 31 December 2017 and 2016, major PRC subsidiaries of the Company were subject to an Enterprise Income Tax rate of 25.0%. The Hong Kong subsidiary of the Company was subject to Hong Kong profit tax at the rate of 16.5% on the estimated assessable profits during the years ended 31 December 2017 and 2016.

For the year ended 31 December 2017, the weighted average applicable tax rate was (76)% (2016: 21%). The change from a positive to a negative weighted average applicable tax rate for the year ended 31 December 2016 and 31 December 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.

Profit for the year

As a result of the foregoing, the Group's loss was approximately HK$4.6 million for the year ended 31 December 2017, representing a decrease of approximately HK$10.9 million or 173.0% as compared with a profit of approximately HK$6.3 million for the year ended 31 December 2016. The decrease was mainly due to the recognition of the Listing expenses of approximately HK$14.0 million in connection with the Listing for the year ended 31 December 2017 (2016: HK$4.3 million). Taking no account of the Listing expenses and other (losses)/gains, the Group's adjusted profit for the year ended 31 December 2017 would have been approximately HK$9.8 million, representing a decrease of approximately HK$0.1 million or 1.0% as compared with the year ended 31 December 2016.

Liquidity and Financial Resources

The Group finances its operations primarily through cash generated from operating activities and interest-bearing bank borrowings. As at 31 December 2017, the Group's current assets exceeded its current liabilities by approximately HK$47.5 million (2016: HK$9.0 million). Included in current liabilities were bank borrowings of approximately HK$50.2 million which are due for repayment within one year. Upon the completion of the Listing after payment of Listing expenses, the Group had raised net Listing proceeds of HK$27.6 million from the issuance of ordinary shares.

As at 31 December 2017, the Group's current ratio was approximately 1.4 (2016: 1.0) and the Group's gearing ratio calculated based on the total debt at the end of the year divided by total equity at the end of the year was approximately 1.9 (2016: 4.4). The decrease of the Group's gearing ratio in the year ended 31 December 2017 was mainly due to the issuance of new shares.

As at 31 December 2017, the maximum limit of the banking facilities available to the Group was amounted to HK$184.1 million.

The bank borrowings were denominated in Hong Kong dollars, repayable within five years and the weighted effective interest rate was 2.9% per annum (2016: 2.7% per annum). As at 31 December 2017, all the bank borrowings were interest-bearing at floating rates of 2.2% to 4.1% per annum except a finance lease of approximately HK$0.4 million was at effective interest rate of 3.1% per annum.

The Group's financial position has been further enhanced by the proceeds from the Share Offer in December 2017.

Capital Structure

As at 31 December 2017, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK$80.6 million, comprising issued share capital and reserves. There has been no change in the capital structure of the Group since the Listing Date.

Charges on Group Assets

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

As at 31 December 2016, an amount of approximately HK$73.5 million of machineries and HK$61.8 million were pledged to bank to secure bank facilities granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Operating lease commitments

As at 31 December 2017, the Group had operating lease commitments in respect of rented office of approximately HK$11.3 million (2016: HK$14.2 million).

Significant Investments/Material Acquisitions and Disposals

The Group had not made any significant investments or material acquisitions and disposals of subsidiaries during the year ended 31 December 2017.

Contingent Liabilities

As at 31 December 2017 and 2016, the Group did not have any significant contingent liabilities.

Exposure to Fluctuations in Exchange Rates

The Group's revenue and costs are primarily denominated in Hong Kong dollars ("**HKD**") and Renminbi ("**RMB**"). The Group currently does not have a foreign currency hedging policy. However, the Directors continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Employees and Remuneration Policies

As at 31 December 2017, the Group employed 197 employees (2016: 197 employees). Employee costs (including Directors' remuneration, wages, salaries, performance related bonuses, other benefits and contribution to defined contribution pension plans) amounted to approximately HK$54.9 million for the year ended 31 December 2017 (2016: approximately HK$53.8 million). The Group will endeavor to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' overall remuneration is determined based on the Group's and their performance.

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

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

The Group adjusted the use of proceeds in the same manner and same proportion as shown in the Allotment Result Announcement. An analysis of the utilization of the net proceeds from the Listing date up to 31 December 2017 is set out below:

	Adjusted net proceeds HK$ million	Utilized amount from the Listing date up to 31 December 2017 HK$ million	Unutilized amount as at 31 December 2017 HK$ million
Acquisition of advanced visual, lighting and audio equipment (including equipment to be used in the new studio in Shanghai)	20.2	–	20.2
Setting up a new studio in Shanghai (excluding the cost of equipment purchase to display in the studio)	3.1	–	3.1
Improving operating efficiency-development of new backdrop construction team and hiring technicians	1.7	0.4	1.3
General working capital and other corporate use	2.6	0.6	2.0
	27.6	1.0	26.6

The Directors considered that the implementation plan of i) acquisition of advanced visual, lighting and audio equipment; and ii) setting up a new studio in Shanghai will commence during the year ending 31 December 2018 due to the delay from suppliers. The Directors intend to continue to apply the remaining net proceeds in accordance with the uses and in the proportions as stated in the Prospectus. The unused net proceeds have been placed as interest bearing deposits with licensed financial institutions in Hong Kong.

Event after balance sheet date

Up to the date of this report, the Group has no subsequent event after 31 December 2017 which is required to disclose.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Share option scheme

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

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the adoption of the Share Option Scheme and there was no share option outstanding as at 31 December 2017.

Dividend

The Directors do not recommend payment of final dividend for the year ended 31 December 2017.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Pursuant to Rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present the first corporate governance report of the Company from the Listing Date to 31 December 2017 (the "**Reporting Period**").

The Company has made continued efforts to incorporate the key elements of sound corporate governance in its management structures and internal control procedures. The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, and to ensure that affairs are conducted in accordance with applicable laws and regulations.

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

CORPORATE GOVERNANCE PRACTICE

The Board is responsible for performing the corporate governance duties in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules, which includes developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the principle and applicable code provision in the CG Code and disclosures in this report.

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

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

CORPORATE GOVERNANCE REPORT (continued)

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

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

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

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

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

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and

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

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

BOARD COMPOSITION

As at 31 December 2017 and up to the date of this report, the Board comprises eight Directors, including four executive Directors and four independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors

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

Independent Non-executive Directors

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

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

The details of Directors and relationship between the board members are set out in the section headed "Biographies of Board of Directors and Senior Management" on pages 40 to 43 of this report.

Chairman and Chief Executive Officer

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

Meetings of board and Directors' Attendance

The Board has established three committees, namely, the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**"), on 1 December 2017 with delegated powers for overseeing particular aspects of the Company's affairs. Each of the committees of the Company has been established with written terms of reference.

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

Prior to the Listing, the Board has held meetings to approve the matters of the Company, in particular, those related to the Listing. During the Report Period, the Board committees did not convene any Board meeting, Audit Committee meeting, Remuneration Committee meeting and Nomination Committee meeting.

Appointment and Re-election of Directors

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

CORPORATE GOVERNANCE REPORT (continued)

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

Directors' Continuous Training and Professional Development

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

Independent Non-executive Directors

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

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

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

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

BOARD COMMITTEE

Audit Committee

The Company established the Audit Committee on 1 December 2017 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules.

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

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

The Audit Committee is satisfied with their review of the auditors' remuneration, the independence of the auditors, PricewaterhouseCoopers ("**PwC**"), and recommended the Board to re-appoint PwC as the Company's auditors in the financial year ending 31 December 2018, which is subject to the approval of shareholders at the forthcoming AGM. The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2017, risk management and internal control system of the Group.

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

No Audit Committee meeting has been held during the Reporting Period.

Remuneration Committee

The Company established the Remuneration Committee on 1 December 2017 in compliance with Appendix 15 to the GEM Listing Rules, which comprises two independent non-executive Directors, namely Mr. Chen Yeung Tak and Mr. Chan Wing Kee and one executive Director, namely Mr. HP Wong. Mr. Chan Wing Kee is the chairman of the Remuneration Committee.

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

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

CORPORATE GOVERNANCE REPORT (continued)

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

No Remuneration Committee meeting has been held during the Reporting Period.

Senior Management's remuneration

Senior Management's remuneration payment of the Group for the year ended 31 December 2017 falls within the following bands:

HK$	Number of Individuals
Nil to HK$1,000,000	5
HK$1,000,001 to HK$2,000,000	1

Remuneration policy

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

Nomination Committee

The Company established the Nomination Committee on 1 December 2017 in compliance with Appendix 15 to the GEM Listing Rules which comprises one executive Director, namely Mr. MP Wong, and two independent non-executive Directors, Mr. Chan Wing Kee and Mr. Chow Chun To. Mr. MP Wong is the chairman of the Nomination Committee.

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

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

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

No Nomination Committee meeting has been held during the Reporting Period.

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

All Directors understand and acknowledge their responsibility for ensuring that the Group's consolidated financial statements for each financial year are prepared to give a true and fair view of the state of affairs, the financial results and cash flows of the Group in accordance with the disclosure requirements of the Companies Ordinance and the applicable accounting standards. In preparing the consolidated financial statements for the year ended 31 December 2017, the Board has adopted appropriate and consistent accounting policies and made prudent, fair and reasonable judgments and estimates. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

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

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 44 to 48 of this report.

Auditor's remuneration

During the year ended 31 December 2017, the remuneration for the audit and non-audit services provided by the Company's auditor to the Group was as follows:

Services rendered	HK$
Annual audit service	1,180,000
Non audit related service – reporting accountant for Listing of the Company	3,800,000
Non audit related service – internal control review	480,000
Total	5,460,000

CORPORATE GOVERNANCE REPORT (continued)

BOARD DIVERSITY POLICY

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

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

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

Shareholders' Rights

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

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

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

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

(c) Enquiries to the Board

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

Communication with shareholders and investor relations

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public. The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company (http://www.avpromotions.com) has provided an effective communication platform to the public and the shareholders.

Constitutional Documents

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

Company Secretary

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

During the year ended 31 December 2017, the Company Secretary has undertaken more than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules.

Risk Management and Internal Control

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

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

During the year ended 31 December 2017, the Group has carried out an internal control review of the implemented system and procedures, including areas covering financial, operational and risk management functions and a follow-up review was also carried out after the Company implemented the recommended remedial measures. The Directors were satisfied that effective internal control and risk management measures as appropriate to the Group for the year ended 31 December 2017 were implemented properly and that no significant areas of weaknesses came into attention.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

AV Promotions Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to present its environmental, social and governance report in accordance with the environmental, social and reporting guidelines as set out in Appendix 20 to the GEM Listing Rules. The principal businesses of the Group is to provide visual, lighting and audio solutions services. The reporting period for this report is from 1 January 2017 to 31 December 2017.

Below are the Group's commitments to each of the focus area under its corporate social responsibility framework:

ENVIRONMENT

Environmental and natural resources

The nature of the Group's business does not involve in any significant impacts on the environmental and natural resources. The Group attaches great importance to environmental protection and also implements sustainable initiatives in areas such as energy saving, water saving and waste management into its daily operations so as to minimise the use of resources. The Group has adopted the following policies to protect the environment.

Emissions

Equipment with less exhaust emission

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

ii. Staffs are encouraged to use public transport for office duty whenever possible to save fuel and minimise emission.

Indoor air quality policy

i. No smoking is allowed in office area;

ii. Air conditioners are cleaned regularly; and

iii. Housekeeping of office is conducted every day.

We are not aware of any material non-compliance in relation to environmental laws and regulations noted for the year ended 31 December 2017.

Use of Natural Resources

Energy management

We encourage that:

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

ii. Select and purchase high energy efficiency products.

Electricity consumption

Indicators	2017
Total electricity consumption (kWh)	109,813
Average electricity consumption per employee (kWh/employee)	557.4

Water

We encourage that:

i. Water tap are constantly checked to avoid the water dripping;

ii. Minimize water pressure; and

iii. Checking water consumption regularly.

Water consumption

Indicators	2017
Total water consumption (m^3)	138
Average water consumption per employee (m^3/employee)	0.7

Paper reduction

We encourage our staff to:

i. Deploy recycling bins to collect used paper products such as waste paper, poster, letter and envelope;

ii. Place waste paper recycling bin next to printer and set aside the papers that already printed once so that you can choose whether reuse it or put it into the bin;

iii. Saving paper by double-sided printing;

iv. Writing on both sides of papers;

v. Bring your own cup and avoid using paper cup;

vi. Reuse stationeries such as file folder and envelope;

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

viii. Recycled papers are encouraged to be used whenever possible when photocopying internal documentation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Other

We encourage that:

i. Stationaries are distributed on a needed basis and reusable stationaries are employed;

ii. Make sure that in our daily business operation, with all efforts, we conserve energy, water and other raw materials to reduce direct impact on environment;

iii. Whenever the Company holds banquet, shark fin is out of question. Order reasonable quantity and reduce waste;

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

v. Put the computer to sleep instead of using a screen saver; and

vi. Avoid over-cooling of offices and keep the air conditioning temperature at a suitable temperature.

SOCIAL

The Group aims to ensure that the health, safety, and welfare of its employees are well taken care of and the Group acknowledges its responsibility towards employees who may be affected by its activities. While the Group regards legislative compliance as a minimum, whenever possible, the Group seeks to implement higher health and safety standards.

Employment Practice

i. The Group attaches great importance to the basic rights and interests of the employees, the entering into of employment contracts with all employees, and the provision of relevant social insurances, employees compensation insurance to all employees; and

ii. The Group is an equal opportunities employer, committed to eliminating gender, age, race, disability and religious discrimination in employment and emphasising on the performance and experience of the staffs in promotion or recruitment. A fair and structural staff performance assessment is set for making promotion and salary increment decisions. Staff appraisal will be conducted annually to assess work performance.

Remuneration and Welfare

The Directors consider that the recruitment in the industry is competitive. To facilitate recruitment of competitive staff, apart from basic salary, the Group also offers its staff with medical benefits. In addition, the Group has also adopted various bonus schemes for its staff in order to incentivise them once the revenue have achieved certain pre-set targets.

Working hours and day-off

The employees shall enjoy deserved days-off under the laws of Hong Kong or the location they work at. Hong Kong employees are entitled to enjoy the following days-off:

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

– Statutory holidays;

– Paid annual leave prescribed by employment contract;

– Sick leave; and

– Employee can take maternity leave so long as complying with the continuous contract to serve the employer and giving notice of pregnancy before the leave.

We are not aware of any material non-compliance with relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare noted for year ended 31 December 2017.

Health and Safety

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

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

iii. Provide and maintain an environmental, healthy and safe working condition. Workplace safety posters are displayed at prominent location in warehouses of the Group to remind the staff of safety. Machinery and equipment are checked regularly to ensure office and working environment is healthy and safe;

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

v. Establish mechanism to record industrial injury and analyze the cause.

We are not aware of any material non-compliance with relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards noted for the year ended 31 December 2017.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Labour Standard

The Group respects human rights and has a zero-tolerance policy towards the employment of forced labour and child labour. Upon joining the Group, each staff is required to fill in a recruitment form. Should the staff provide false identity or false personal particulars, he/she would be considered to have committed serious breach of the Group's rules and regulations and his/her employment would be terminated immediately.

We are not aware of any material non-compliance with relevant laws and regulations relating to preventing child and forced labour noted for the year ended 31 December 2017.

Development and Training

i. The Group believes that training is an important path to improve the overall work quality and offer comprehensive development to the employees. The Group encourages its employees to attend external or internal training courses to enhance their competence and job related knowledge; and

ii. Experienced/Senior employees will provide supervision for the newcomers/subordinates in order to enhance communication and team spirits within the Group, and to improve their technical skills and managerial capability.

Supply Chain Management

i. The goods from the suppliers must be checked by the Group's technician for product quality and safety before they can be used in event;

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

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

During the year ended 31 December 2017, we do not aware that any key suppliers had any significant actual and potential negative impact on business ethics, environmental protection, human rights and labour practices, nor any of them had any non-compliance incident in respect of human rights issues.

Service Responsibility

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

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

We are not aware of any material non-compliance with relevant laws and regulations relating to health, safety, advertising and privacy matters relating to services provided noted for the year ended 31 December 2017.

Anti-corruption

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

ii. The Shares are listed on the GEM of the Stock Exchange and the Company has strict guidelines for directors and senior management for any disclosure of conflict of interest. Besides, directors or senior management are required to take certain hours of training each year.

We are not aware of any significant risk related non-compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering noted for the year ended 31 December 2017.

Community

Social responsibility is one of the Group's cultures. The Group is committed to striving for the betterment of society and hold strongly the belief that a business organisation should not detach itself from its social responsibility.

We are making our best effort in contributing to the community. We actively seek opportunities to repay society and in hope of creating a better living environment for local community by participating in community services and charitable sponsorships.

REPORT OF THE BOARD OF DIRECTORS

The Directors are pleased to present their report together with the audited consolidated financial statements of the Company for the year ended 31 December 2017.

CORPORATE REORGANISATION AND SHARE OFFER

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 23 February 2017.

The Shares have been listed on the GEM of the Stock Exchange by way of the Share Offer since 21 December 2017.

In connection with the Listing, the companies comprising the Group underwent a reorganisation (the "**Reorganisation**"). Pursuant to the Reorganisation, the Company became the holding company of the other members of the Group on 10 April 2017. Further details of the Reorganisation are set out in Note 1.2 to the consolidated financial statements in this report.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 11 to the audited consolidated financial statements. The Group is principally engaged in the provision of visual, lighting and audio solution services in Hong Kong, the PRC and Macau.

A fair review of the business of the Company as well as a discussion and analysis of the Group's performance during the year ended 31 December 2017 and the material factors underlying its results and financial position can be found in the management discussion and analysis set out on pages 6 to 14 of this annual report. These discussions form part of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report, which forms part of this report, is set out on pages 24 to 29 of this annual report.

RESULTS AND DIVIDEND

The financial performance of the Group for the year ended 31 December 2017 and the financial position of the Group as at that date are set out in the audited consolidated financial statements on pages 49 to 52.

The Directors do not recommend payment of final dividend for the year ended 31 December 2017.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last three financial years is set out on page 108 of this report.

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

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2017 are set out in note 14 to the audited consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group at 31 December 2017 are set out in note 23 to the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2017 are set out in note 20 to the audited consolidated financial statements.

SHARE OPTION SCHEME

No share options were granted since the adoption of the Share Option Scheme and there were no share option outstanding as at 31 December 2017.

RESERVES

Details of movements in reserves of the Group and the Company during the year ended 31 December 2017 are set out in the consolidated statement of changes in equity in note 21 to the audited consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company did not have any reserves available for distribution as calculated in accordance with the relevant provisions of the Companies Ordinance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither, the Company nor any of its subsidiaries redeemed, purchased or sold any of the Company's securities for the year ended 31 December 2017.

REPORT OF THE BOARD OF DIRECTORS (continued)

DIRECTORS

The Directors of the Company during the year ended 31 December 2017 and up to the date of this report were as follows:

Executive Directors

Mr. MP Wong (appointed as a director on 23 February 2017 and redesignated as executive director and appointed as chairman of the Board on 5 December 2017)
Mr. HP Wong (appointed as a director on 23 February 2017 and redesignated as executive director on 5 December 2017)
Mr. CB Wong (appointed as a director on 23 February 2017 and redesignated as executive director on 5 December 2017)
Ms. Fu Bun Bun (appointed as an executive director and appointed as chief executive officer on 1 December 2017)

Independent Non-executive Directors

Mr. Chow Chun To (appointed on 1 December 2017)
Mr. Chen Yeung Tak (appointed on 1 December 2017)
Mr. Cheung Wai Lun Jacky (appointed on 1 December 2017)
Mr. Chan Wing Kee (appointed on 1 December 2017)

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

Confirmation of Independence

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

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

(a) Executive Directors

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

(b) Independent non-executive Directors

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

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

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 31 and 9 to the audited consolidated financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Company are set out on pages 40 to 43 of this report.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report, none of the Directors or an entity connected with any of them had any material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries, parent company or subsidiaries of the parent company was a party and subsisting at any time during or at the end of the year ended 31 December 2017.

As at 31 December 2017, no contract of significance had been entered into between the Company, or any of its subsidiaries and the controlling shareholders of the Company or any of their subsidiaries.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed in this report, at no time during the year ended 31 December 2017 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its specified undertakings as defined in the Companies (Directors' Report) Regulation or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

As at 31 December 2017, the Company did not enter into or have any management and/or administration contracts in respect of the whole or any principal business of the Company.

REPORT OF THE BOARD OF DIRECTORS (continued)

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

During the Listing Date and up to the date of this report, the Directors are not aware of any business and interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group from the Listing Date to the date of this report.

NON-COMPETITION UNDERTAKING

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

The Company received from each of the Covenantors an annual confirmation on their respective compliance of the non-competition undertaking under the Deed of Non-competition. The INEDs have reviewed the compliance of such undertaking and evaluated the effective implementation of the Deed of Non-competition, and they were satisfied with the Covenantors' compliance with their undertaking for the year ended 31 December 2017.

DISCLOSURE OF DIRECTORS' INTERESTS

(a) Interests and short positions of Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations

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

(i) Interests in the Company

Name of Director	Capacity/Nature of Interest	Number of Shares held/interested in (Note 1)	Percentage of shareholding
Mr. MP Wong (Notes 2 & 3)	Interest of a controlled corporation; founder and beneficiary of a discretionary trust	300,000,000 (L)	75%

Notes:

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

2. The 300,000,000 Shares are held by Mega King, a company wholly-owned by Jumbo Fame, which is in turn held by Trident Trust Company (HK) Limited ("**Trustee**") acting as the trustee of The WMPE Family 2017 Trust. The WMPE Family 2017 Trust is an irrevocable discretionary trust set up by Mr. MP Wong as settlor and appointer and by the Trustee as the trustee on 10 April 2017. The beneficiaries of The WMPE Family 2017 Trust are Mr. MP Wong, Ms. Kong Suet Yan ("**Mrs. Wong**") (the Spouse of Mr. MP Wong), Mr. Wong Hin Hang (the son of Mr. MP Wong and Mrs. Wong), Ms. Wong Hin Fei (the daughter of Mr. MP Wong and Mrs. Wong), and such person as may be appointed as additional member or members of the class of eligible beneficiaries pursuant to a trust deed dated 10 April 2017 entered into by Mr. MP Wong as the settlor and the appointer and by the Trustee as the trustee ("**Trust Deed**"). Mr. MP Wong as settlor, appointer and a beneficiary of The WMPE Family 2017 Trust is deemed or taken to be interested in the 300,000,000 Shares held by Mega King.

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

(ii) Long position in the shares of associated corporations

Name of Director	Name of associated corporation	Capacity/Nature of Interest	Number of Shares held/interested in (Note 1)	Percentage of shareholding
Mr. MP Wong (Note 1)	Mega King	Interest of a controlled corporation; founder and beneficiary of a discretionary trust	1	100%
Mr. MP Wong (Note 1)	Jumbo Fame	Founder and beneficiary of a discretionary trust	100	100%

Note:

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

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

REPORT OF THE BOARD OF DIRECTORS (continued)

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

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

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

Notes:

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

2. The 300,000,000 Shares are held by Mega King, a company wholly-owned by Jumbo Fame, which is in turn held by the Trustee acting as the trustee of The WMPE Family 2017 Trust. The WMPE Family 2017 Trust is an irrevocable discretionary trust set up by Mr. MP Wong as settlor and appointer and by the Trustee as the trustee on 10 April 2017. The beneficiaries of The WMPE Family 2017 Trust are Mr. MP Wong, Mrs. Wong, Mr. Wong Hin Hang (the son of Mr. MP Wong and Mrs. Wong), Ms. Wong Hin Fei (the daughter of Mr. MP Wong and Mrs. Wong), and such person as may be appointed as additional member or members of the class of eligible beneficiaries pursuant to a trust deed dated 10 April 2017 entered into by Mr. MP Wong as the settlor and the appointer and by the Trustee as the trustee ("**Trust Deed**"). By virtue of the SFO, each of Jumbo Fame and the Trustee is deemed to be interested in all the Shares held by Mega King.

3. Mrs. Wong is the spouse of Mr. MP Wong and is deemed or taken to be interested in all the Shares held by Mega King for the purpose of the SFO.

Save as disclosed above, as at the date of this report, the Directors have not been notified by any person who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2017.

INTERESTS OF THE COMPLIANCE ADVISER

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Directors are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2017, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the aggregate amount of turnover attributed to the Group's largest and the five largest customers accounted for approximately 27.5% and 45.9% (2016: 29.2% and 51.2%) of the total revenue of the Group, respectively. For the year ended 31 December 2017, the Group's cost of sales from the largest and the five largest suppliers accounted for approximately 7.0% and 19.9% (2016: 6.8% and 19.9%) of the total purchases of the Group, respectively. At no time during the year ended 31 December 2017 did the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors, owns more than 5% of the Company's issued share capital) have any interest in the Group's major customers or suppliers as disclosed above.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2017, the Group did not enter into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules.

Details of the material related party transactions are set out in note 29 to the audited consolidated financial statements of this report. These related party transactions did not constitute connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules.

Remuneration to key management personnel of the Group, including Directors described in notes 9 to the Group's audited consolidated financial statements are continuing connected transactions exempt from the connected transaction requirements under Rule 20.93 of the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high level of corporate governance standards. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 15 to 23 of this report.

REPORT OF THE BOARD OF DIRECTORS (continued)

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISION

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had 197 employees in Hong Kong, the PRC and Macau (2016: 197 employees). The remuneration package the Group offered to the Group's employees includes wages, salaries, performance related bonuses, other benefits and contribution to defined contribution pension plans. In general, the Group determines employees' salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of the Group's employees, which forms the basis of the Group's decisions with respect to salary raises, bonuses and promotions.

RELATIONSHIP WITH STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its key stakeholders, including its employees, customers and suppliers, to meet its immediate and long-term business goals. During the year ended 31 December 2017, there were no material and significant disputes between the Group and its employees, customers and suppliers.

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

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2017 and up to the date of approval of this report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2017 have been audited by PricewaterhouseCoopers, who shall retire at the forthcoming annual general meeting and, being eligible, offered themselves for re-appointment.

By order of the Board
AV Promotions Holdings Limited
Wong Man Por
Chairman
20 March 2018

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wong Man Por (黃文波), aged 60, is the chairman, executive Director and compliance officer of our Company. He was first appointed as a Director on 23 February 2017 and was redesignated as an executive Director on 5 December 2017. Mr. MP Wong is the founder of our Group and his main responsibilities are to formulate our strategic vision, direction and goals and to monitor, evaluate and develop the business of our Group.

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

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

Mr. Wong Hon Po (黃漢波), aged 53, is the executive Director of our Company. He was first appointed as a Director on 23 February 2017 and was redesignated as an executive Director on 5 December 2017. Mr. HP Wong attended secondary school education in Hong Kong and joined our Group in 1991 as technical manager. Since 2003, he has been mainly responsible for overseeing and monitoring the daily operation of our subsidiary in Shanghai. He is also responsible for introducing new technologies for the business of our Group, training our technical staff, evaluating the services provided by the outside contractors, implementing the management decisions. Mr. HP Wong has been in charge of providing our services to major projects of our customers in China and has over 25 years of experience in this industry.

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

Mr. Wong Chi Bor (黃志波), aged 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 ceremonies and international congresses. He has over 25 years of experience in this industry.

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

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENTS (continued)

Ms. Fu Bun Bun (傅彬彬), aged 44, 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).

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 January 2018 until now, Mr. Chen is also an independent non-executive director of Gain Plus Holdings Limited, the shares of which were listed on the Stock Exchange (stock code: 8522). From March 2015 until presently, he is the financial controller 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.

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENTS (continued)

Mr. Cheung Wai Lun Jacky (張偉倫), 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.

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

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

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENTS (continued)

SENIOR MANAGEMENT

Ms. Yau Lai Ling (邱麗玲), aged 51, joined our Group as accounting clerk in July 1991 and became our general manager of our Group since 2001. She is responsible for overseeing the personnel and administrative matters. She is also responsible for the operation of our audio-visual equipment rental and coordinating with our clients on the provision of audio-visual solution services.

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

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

Mr. 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.

He was worked in PricewaterhouseCoopers as an audit manager until he left in 2016. He was responsible for providing auditing services to his clients. Mr. Wong Wah has over 10 years of experience in auditing and accounting.

COMPANY SECRETARY

Mr. Wong Wah (黃華), aged 33, is the company secretary of our Group 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 Group's financial controller in "Senior Management" under this section above.

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

INDEPENDENT AUDITOR'S REPORT

pwc

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

OPINION

What we have audited

The consolidated financial statements of AV Promotions Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 49 to 107, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables *Refer to notes 2.8, 2.9, 4(a) and 17 to the consolidated financial statements* As at 31 December 2017, the Group has trade receivables of HK$46,282,000 (2016: HK$53,413,000). The credit terms were ranging from 0 to 90 days. Approximately 16% of the trade receivables were aged over 3 months based on invoice date. To determine whether there is objective evidence of impairment, management considers a wide range of factors such as the creditworthiness, the past collection history of each customer, the probability of insolvency or significant financial difficulties of the counterparty and default or significant delay in payments. We focused on this area due to the use of significant judgement and estimates by management on the evaluation of the recoverability of trade receivables.	Our procedures in relation to management's impairment assessment of trade receivables included: • Understood and tested the key controls over credit control, debt collection and impairment assessment which was based on a consistent process as in previous years; • Tested aging of trade receivables balances at year end on a sample basis; • Obtained confirmations, on a sample basis, from major debtors of the Group to confirm the trade receivables balances at year end; and for unreturned confirmations, performed alternative procedures by comparing details with contracts and bank-in slips; • Assessed the recoverability of the balances by comparing the outstanding amounts as at year end against subsequent settlement on a sample basis; • Obtained a list of long outstanding receivables and assessed the recoverability of these outstanding receivables through discussion with management and with reference to supporting evidence provided by management, such as historical payment trend of the customers; and • Assessed the evidences and grounds provided by management on the recoverability of the outstanding receivables beyond credit period with no provision made. Based on the procedures performed, we found the management's impairment assessment of trade receivables to be supported by the available supporting evidence.

INDEPENDENT AUDITOR'S REPORT (continued)

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2018

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2017 HK$'000	2016 HK$'000
Revenue	6	**208,136**	183,979
Cost of sales	8	**(159,606)**	(140,808)
Gross profit		**48,530**	43,171
Other (losses)/gains, net	7	**(437)**	613
Selling expenses	8	**(4,072)**	(3,438)
Administrative expenses	8	**(41,114)**	(27,573)
Operating profit		**2,907**	12,773
Finance income	10	**208**	592
Finance expenses	10	**(4,578)**	(4,327)
Finance expenses – net		**(4,370)**	(3,735)
(Loss)/profit before income tax		**(1,463)**	9,038
Income tax expenses	12	**(3,147)**	(2,758)
(Loss)/profit for the year attributable to owners of the Company		**(4,610)**	6,280
Basic and diluted (losses)/earnings per share for (loss)/profit attributable to owners of the Company (HK cents)	13	**(1.52)**	2.09

The notes on pages 56 to 107 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2017	2016
	Note	HK$'000	HK$'000
(Loss)/profit for the year		**(4,610)**	6,280
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		**2,778**	(2,009)
Reclassification of exchanges reserve upon disposal of a subsidiary	24	**–**	(225)
		2,778	(2,234)
Total comprehensive (loss)/income for the year attributable to owners of the Company		**(1,832)**	4,046

The notes on pages 56 to 107 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	79,846	80,993
Prepayments for purchase of plant and equipment	17	516	2,255
Pledged time deposits	18(b)	64,000	–
		144,362	83,248
Current assets			
Trade receivables	17	46,282	53,413
Prepayments, deposits and other receivables	17	5,053	2,852
Pledged time deposits	18(b)	–	61,770
Cash and cash equivalents	18(a)	118,023	72,447
		169,358	190,482
Total assets		313,720	273,730
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	20	4,000	–
Share premium	20	41,901	–
Exchange reserve	21	202	(2,576)
Other reserves	21	5,314	5,314
Retained earnings		29,166	33,776
Total equity		80,583	36,514
LIABILITIES			
Non-current liabilities			
Provision for long service payments	22	–	500
Deferred income tax liabilities	15	10,402	11,223
Borrowings	23	100,846	44,000
		111,248	55,723

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		As at 31 December	
		2017	2016
	Note	HK$'000	HK$'000
Current liabilities			
Trade and bills payables	22	54,938	51,444
Accruals and other payables	22	12,328	9,789
Borrowings	23	50,410	118,144
Current income tax liabilities		4,213	2,116
		121,889	181,493
Total liabilities		233,137	237,216
Total equity and liabilities		313,720	273,730

The notes on pages 56 to 107 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 49 to 107 were approved by the Board of Directors on 20 March 2018 and were signed on its behalf.

Wong Man Por
Chairman and Executive Director

Wong Chi Bor
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total equity HK$'000
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
As at 1 January 2017	**–**	**–**	**(2,576)**	**5,314**	**33,776**	**36,514**
Comprehensive loss						
Loss for the year	**–**	**–**	**–**	**–**	**(4,610)**	**(4,610)**
Other comprehensive income						
Currency translation differences	**–**	**–**	**2,778**	**–**	**–**	**2,778**
Total comprehensive income/(loss)	**–**	**–**	**2,778**	**–**	**(4,610)**	**(1,832)**
Transactions with owners						
Issue of shares by Capitalisation Shares (Note 20(d))	**3,000**	**(3,000)**	**–**	**–**	**–**	**–**
Issue of shares pursuant to public offering (Note 20(e))	**1,000**	**54,000**	**–**	**–**	**–**	**55,000**
Listing expenses related to the issue of new shares (Note 20(e))	**–**	**(9,099)**	**–**	**–**	**–**	**(9,099)**
Total transactions with owners, recognised directly in equity	**4,000**	**41,901**	**–**	**–**	**–**	**45,901**
As at 31 December 2017	**4,000**	**41,901**	**202**	**5,314**	**29,166**	**80,583**

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2017	2016
	Note	HK$'000	HK$'000
Cash flows from operating activities			
(Loss)/profit before income tax		**(1,463)**	9,038
Adjustments for:			
Finance expenses	10	**4,578**	4,327
Depreciation of property, plant and equipment	14	**14,284**	14,687
Bank interest income	10	**(208)**	(592)
Losses on disposals of property, plant and equipment	7	**68**	107
Gains on derivative financial instruments	7	**–**	(162)
Reversal of provision for long services payment	9	**(500)**	(207)
Interest income from investments in insurance contracts	7	**–**	(710)
Changes in value on investments in insurance contracts	7	**–**	(215)
Gain on disposal of a subsidiary	7	**–**	(238)
Unrealised exchange losses		**–**	1,224
Operating profit before working capital changes		**16,759**	27,259
Change in working capital:			
Trade receivables		**8,920**	1,706
Prepayments, deposits and other receivables		**(253)**	1,764
Trade and bills payables		**2,355**	10,993
Accruals and other payables		**2,123**	5,982
Cash generated from operation		**29,904**	47,704
Income tax paid		**(2,139)**	(2,361)
Net cash generated from operating activities		**27,765**	45,343

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

		Year ended 31 December	
		2017	2016
	Note	HK$'000	HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(12,694)**	(27,946)
Proceeds from disposals of property, plant and equipment	14	**149**	1,619
Bank interest income		**208**	592
Increase in pledged time deposits		**(2,230)**	(44,000)
Repayment from a related company		**–**	62,150
Repayment from a director		**–**	6,540
Net cash outflow upon disposal of a subsidiary	24	**–**	(563)
Disposal of investments in insurance contracts	19	**–**	35,848
Payments for settlement of derivative financial instruments		**–**	(889)
Net cash (used in)/generated from investing activities		**(14,567)**	33,351
Cash flows from financing activities			
Proceed from issuance of ordinary shares		**55,000**	–
Transaction costs attributable to issuance of ordinary shares		**(9,099)**	–
Proceeds from borrowings		**209,960**	44,000
Repayments of borrowings		**(221,221)**	(48,191)
Repayments of finance lease		**(198)**	–
Payments of loan interest		**(4,578)**	(4,327)
Net cash generated from/(used in) financing activities		**29,864**	(8,518)
Net increase in cash and cash equivalents		**43,062**	70,176
Cash and cash equivalents at beginning of year		**72,447**	4,692
Exchange gains/(losses) on cash and cash equivalents		**2,514**	(2,421)
Cash and cash equivalents at end of year	18(a)	**118,023**	72,447

The notes on pages 56 to 107 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

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

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

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

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

1.2 Reorganisation

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

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

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

(c) On 7 April 2017, AV Promotions (BVI) Limited acquired the entire issued share capital of AV Promotions Limited at a consideration of HK$4,862,081 from Mr. MP Wong and Ms. Kong Suet Yan ("**Mrs. Wong**") (holding on trust for Mr. MP Wong), its then shareholders. The consideration was satisfied by the allotment and issue of 99 new shares in AV Promotions (BVI) Limited 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 cash consideration of MOP300,000 in aggregate from Mr. MP Wong and Mr. Wong Chi Bor ("**Mr. CB Wong**") (as a representative party and registered owner for the benefit of Mr. MP Wong), the brother of Mr. MP Wong, its then shareholders.

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

1.3 Basis of presentation

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

For a company disposed during the year ended 31 December 2016 to third parties, it was excluded from the consolidated 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 consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 Changes in accounting policies and disclosures

The principal accounting policies applied in the preparation of the consolidated financial statements in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA are set out below. The consolidated financial statements of the Group have been prepared under the historical cost convention.

The preparation of the consolidated financial statements 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 consolidated financial statements are disclosed in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning 1 January 2017:

HKAS 7 (amendments)	Statement of Cash Flows – Disclosure Initiative
HKAS 12 (amendments)	Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses
Annual improvements project	2014-2016 projects

(b) New and amended standards not yet adopted by the Group

The following new standards and amendments to standards have been issued but are not yet effective for the financial year 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 28 (amendments)	Investments in Associates and Joint Ventures	1 January 2018
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 9 (amendments)	Prepayment Features with Negative Compensation	1 January 2019
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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

(b) New and amended standards not yet adopted by the Group (Continued)

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 31 December 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

(b) New and amended standards not yet adopted by the Group (Continued)

The new impairment model requires the recognition of impairment provisions based on 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 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 2.19.

The Directors 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

(b) New and amended standards not yet adopted by the Group (Continued)

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 2.21.

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

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

As at 31 December 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$11,287,000 as set out in Note 27. A preliminary assessment indicates that these arrangement will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-to-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirement may result changes in measurement, presentation and disclosure as indicated above.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.2.2 Separate consolidated financial statements

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(b) Transactions and balances

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

(c) Group companies

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

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

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

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

2.5 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

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

Leasehold improvements	15%-30% per annum or over the remaining lease terms
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", "pledged time deposits" and "cash and cash equivalents" in the consolidated statements of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial assets (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Trade and other receivables

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

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

2.10 Cash and cash equivalents

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

2.11 Pledged time deposits

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

2.12 Share capital

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

2.13 Trade, bills and other payables

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

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

2.14 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Borrowings (Continued)

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.

2.15 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.

2.16 Current and deferred income tax

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

(a) Current income tax

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Current and deferred income tax (Continued)

(b) *Deferred income tax*

Inside basis differences

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

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

Outside basis differences

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

(c) *Offsetting*

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

2.17 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Employee benefits (Continued)

(b) Profit-sharing and bonus plans

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

(c) Employee leave entitlements

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

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

(d) Long service payments

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

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

2.18 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Provisions (Continued)

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.

2.19 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. Revenue from the provision of visual, lighting and audio solution services is recognised when the services have been rendered; and

2.20 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.

2.21 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 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) Credit risk

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

At 31 December 2017, the Group is exposed to concentration of credit risk to the extent that HK$10,727,000 (2016: HK$27,159,000) of trade receivables are attributable by the top five customers. The Group trades only with recognised and creditworthy third parties. Receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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.

(b) Market risk

(i) Foreign exchange risk

The Group mainly operates in Hong Kong and the PRC with most of the transactions settled in HK$ and 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Market risk (Continued)

(i) Foreign exchange risk (Continued)

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 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 2016 would have been 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 31 December 2017, the foreign exchange risk was insignificant as the RMB denominated time deposit has been settled during the year ended 31 December 2017.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group recorded other comprehensive income of currency translation differences of HK$2,778,000 during the year ended 31 December 2017 (2016: loss of HK$2,009,000). Foreign currency denominated inter-company receivables and payables that do not form part of a net investment in a foreign operation are insignificant.

As at 31 December 2016 and 2017, foreign exchange risks on financial assets and liabilities denominated in currencies other than functional currencies were insignificant to the Group.

(ii) Cash flow 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 23.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Market risk (Continued)

(ii) Cash flow interest rate risk (Continued)

At 31 December 2016 and 2017, if interest rates on borrowings at floating rates had been 100 basis points higher/lower with all other variables held constant, the pre-tax profit for each of the years ended 31 December 2016 and 2017 would have changed as follows:

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Pre-tax profit (decrease)/increase		
– 100 basis points higher	**(1,509)**	(1,621)
– 100 basis points lower	**1,509**	1,621

(c) Liquidity risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand	Within 1 year	Over 1 year	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2017				
Trade and bills payables	–	54,938	–	54,938
Accruals and other payables	–	12,328	–	12,328
Finance lease liabilities	–	232	151	383
Bank borrowings and interest payable	34,900	18,683	104,506	158,089
	34,900	86,181	104,657	225,738
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
	118,144	61,233	46,248	225,625

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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

	Maturity analysis – Bank borrowings and interest payable without taking into account of repayment on demand clause of certain bank borrowings, based on scheduled repayments			
	Within 1 year	**1 to 2 years**	**2 to 5 years**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2017	**54,481**	**74,234**	**30,272**	**158,987**
As at 31 December 2016	102,508	60,657	4,871	168,036

3.2 Capital risk management

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Borrowing (Note 23)	**151,256**	162,144
Less:		
Cash and cash equivalents (Note 18(a))	**(118,023)**	(72,447)
Pledged time deposits (Note 18(b))	**(64,000)**	(61,770)
Net (cash)/debt	**(30,767)**	27,927
Total equity	**80,583**	36,514
Gearing ratio	**N/A**	43%

There were no changes in the Group's approach to capital management during the years ended 31 December 2016 and 2017.

The Group changed from a net debt position as at 31 December 2016 to a net cash position as at 31 December 2017 was primarily due to the receipt of proceed pursuant to Listing during the year ended 31 December 2017.

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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 visual, lighting and audio solution services. The resources are allocated based on what is most beneficial to the Group in enhancing the value as a whole, instead of any specific unit.

The Group's chief operating decision makers consider that the performance assessment of the Group should be based on the profit before income tax of the Group as a whole. Accordingly, the management considers there is only one operating segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5 SEGMENT INFORMATION (Continued)

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

	Year ended 31 December	
	2017 HK$'000	2016 HK$'000
Hong Kong	66,110	78,499
The PRC	124,501	93,629
Macau	17,525	11,851
	208,136	183,979

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

	Year ended 31 December	
	2017 HK$'000	2016 HK$'000
Customer A	57,278	53,803

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

	As at 31 December	
	2017 HK$'000	2016 HK$'000
Hong Kong	138,311	77,275
The PRC	1,747	1,268
Macau	4,304	4,705
Total non-current assets per consolidated statement of financial position	144,362	83,248

6 REVENUE

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

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Revenue from services	**208,136**	183,979

7 OTHER (LOSSES)/GAINS, NET

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Changes in value on investments in insurance contracts (Note 19)	**–**	215
Gain on disposal of a subsidiary (Note 24)	**–**	238
Losses on disposals of property, plant and equipment	**(68)**	(107)
Interest income from investments in insurance contracts (Note 19)	**–**	710
Gains on derivative financial instruments	**–**	162
Exchange differences	**(369)**	(605)
	(437)	613

8 EXPENSES BY NATURE

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Material cost of consumables	**14,393**	14,607
Freight expenses	**6,399**	9,731
Equipment rental cost	**78,752**	53,859
Travel expenses	**7,421**	6,856
Depreciation of property, plant and equipment (Note 14)	**14,284**	14,687
Auditors' remuneration (excluded listing expenses)	**1,180**	73
Operating lease payments	**4,647**	5,897
Employee benefit expenses (Note 9)	**54,889**	53,754
Entertainment expenses	**791**	508
Motor vehicle expenses	**566**	1,139
Listing expenses	**13,965**	4,271
Other expenses	**7,505**	6,437
Total cost of sales, selling expenses and administrative expenses	**204,792**	171,819

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Wages, salaries and bonus	48,055	45,757
Reversal of provision for long service payment	(500)	(207)
Pension costs	5,082	4,378
Other staff welfare and benefit	2,252	3,826
	54,889	53,754

Five highest paid individuals

For the year ended 31 December 2017, the five individuals whose emoluments were the highest in the Group include four (2016: three) directors, whose emoluments were reflected in Note 31. The emoluments paid to the remaining one (2016: two) individual, are as follows:

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Wages and salaries	840	1,336
Bonus	70	119
Pension costs – defined contribution plans	18	36
	928	1,491

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

	Year ended 31 December	
	2017	2016
	Number of individuals	Number of individuals
Nil – HK$1,000,000	1	2

10 FINANCE INCOME AND EXPENSES

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Interest income		
– Bank interest income	208	592
Finance income	208	592
Interest expenses		
– Finance lease liabilities	(15)	–
– Bank borrowings	(4,563)	(4,327)
Finance expenses	(4,578)	(4,327)
Finance expenses – net	(4,370)	(3,735)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11 SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2017 were as follows:

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

* For identification purpose only

12 INCOME TAX EXPENSES

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

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Current income tax		
– Hong Kong	**–**	119
– The PRC & Macau	**4,182**	1,687
	4,182	1,806
Under/(over) provision in prior years		
– Hong Kong	**–**	14
– The PRC & Macau	**(214)**	(8)
	(214)	6
Deferred income tax (Note 15)	**(821)**	946
Income tax expenses	**3,147**	2,758

Hong Kong, the PRC and Macau profits/income tax has been provided at the rate of 16.5%, 25% and 12% (2016: 16.5%, 25% and 12%), respectively, on the estimated assessable profits for the year ended 31 December 2017 .

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12 INCOME TAX EXPENSES (Continued)

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

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
(Loss)/profit before income tax	**(1,463)**	9,038
Tax calculated at domestic tax rate in the respective countries	**1,119**	1,928
(Over)/under provision in prior years	**(214)**	6
Expenses not deductible for tax purposes	**2,928**	1,079
Income not subject to taxation	**(686)**	(255)
	3,147	2,758

For the year ended 31 December 2017, the weighted average applicable tax rate was (76)% (2016: 21%). The change from a positive to a negative weighted average applicable tax rate for the year ended 31 December 2016 and 31 December 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.

13 BASIC AND DILUTED (LOSSES)/EARNINGS PER SHARE

(a) Basic

The basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective years. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation completed on 10 April 2017 and the Capitalisation Shares (Note 20(d)) were deemed to have been in issue since 1 January 2016.

	Year ended 31 December	
	2017	2016
(Loss)/profit attributable to owners of the Company (HK$'000)	**(4,610)**	6,280
Weighted average number of shares in issue (thousands shares)	**303,014**	300,000
Basic (losses)/earnings per share (HK cents)	**(1.52)**	2.09

(b) Diluted

Diluted (losses)/earnings per share presented is the same as the basic (losses)/earnings per share as there were no potentially dilutive ordinary share outstanding as at 31 December 2016 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
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 (Note)	–	(82)	–	(1,644)	(1,726)
Depreciation	(130)	(14,000)	(194)	(363)	(14,687)
Disposal of subsidiary (Note 24)	–	(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
Year ended 31 December 2017					
Opening net book value	188	78,144	817	1,844	80,993
Additions	–	12,237	419	609	13,265
Disposals (Note)	–	(5)	–	(212)	(217)
Depreciation	(127)	(13,569)	(174)	(414)	(14,284)
Currency translation difference	4	8	57	20	89
Closing net book value	65	76,815	1,119	1,847	79,846
At 31 December 2017					
Cost	1,511	166,240	3,132	3,968	174,851
Accumulated depreciation	(1,446)	(89,425)	(2,013)	(2,121)	(95,005)
Net book value	65	76,815	1,119	1,847	79,846

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expenses of HK$13,569,000 (2016: HK$14,043,000) and HK$715,000 (2016: 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 2017.

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

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Cost – capitalised finance lease	**571**	–
Accumulated deprecation	**(86)**	–
Net book value	**485**	–

Note:

Proceeds from sales of property, plant and equipment

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Net book amount	**217**	1,726
Losses on disposals	**(68)**	(107)
Proceeds from disposals of property, plant and equipment	**149**	1,619

15 DEFERRED INCOME TAX

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

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Deferred income tax assets:		
Recoverable after more than 12 months	**320**	–
Deferred income tax liabilities:		
Recoverable after more than 12 months	**(10,722)**	(11,223)
Deferred income tax liabilities (net)	**(10,402)**	(11,223)

15 DEFERRED INCOME TAX (Continued)

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

	Tax losses HK$'000
Deferred income tax assets	
At 1 January 2016	1,170
Disposal of a subsidiary (Note 24)	(1,144)
Exchange differences	(26)
At 31 December 2016	–
At 1 January 2017	**–**
Credit to the consolidated income statement (Note 12)	**320**
Exchange differences	**–**
At 31 December 2017	**320**

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 2017, the Group recognised deferred income tax assets of HK$320,000 (2016: Nil). As at 31 December 2016 and 2017, the Group did not have any unrecognised deferred income tax assets.

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

	Accelerated tax depreciation HK$'000
Deferred income tax liabilities	
At 1 January 2016	10,277
Charged to the consolidated income statement (Note 12)	946
At 31 December 2016	11,223
At 1 January 2017	**11,223**
Credited to the consolidated income statement (Note 12)	**(501)**
At 31 December 2017	**10,722**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15 DEFERRED INCOME TAX (Continued)

As at 31 December 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 (2016: Nil). As at 31 December 2017, deferred income tax liabilities of HK$4,314,000 (2016: HK$3,077,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of the PRC subsidiaries. Such amounts are permanently reinvested and the unremitted earnings are HK$43,137,000 at 31 December 2017 (2016: HK$30,767,000).

16 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Assets as per statements of financial position		
Loans and receivables:		
– Trade receivables	**46,282**	53,413
– Deposits and other receivables	**887**	632
– Pledged time deposits	**64,000**	61,710
– Cash and cash equivalents	**118,023**	72,447
Total	**229,192**	188,202

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Liabilities as per statements of financial position		
Financial liabilities at amortised cost:		
– Trade and bills payables	**54,938**	51,444
– Accruals and other payables	**12,328**	9,789
– Borrowings	**151,256**	162,144
Total	**218,522**	223,377

17 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Trade receivables	46,282	53,413
Less: Allowance for provision	–	–
Trade receivables, net of provision	46,282	53,413
Rental deposits	850	593
Other deposits	37	39
Prepayments and other receivables	4,166	1,942
Prepayments for purchase of plant and equipment	516	2,255
Deferred listing costs	–	278
	5,569	5,107
Less: Non-current prepayments for purchase of plant and equipment	(516)	(2,255)
	5,053	2,852
	51,335	56,265

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

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

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Current	22,358	15,326
0 to 3 months	16,571	33,953
3 to 6 months	4,780	3,178
Over 6 months	2,573	956
	46,282	53,413

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

As at 31 December 2016 and 2017, trade receivables of HK$29,866,000 and HK$23,924,000, 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	
	2017	2016
	HK$'000	HK$'000
Within 3 months	**16,571**	25,732
3 to 6 months	**4,780**	3,178
Over 6 months	**2,573**	956
	23,924	29,866

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

Movements on the provision for impairment of trade receivables are as follows:

	HK$'000
At 1 January 2016	421
Receivable written off during the year as uncollectible	(421)
At 31 December 2016 and 2017	–

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

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
RMB	**33,215**	36,718
HK$	**18,636**	21,802
At the end of the years	**51,851**	58,520

18 CASH AND BANK BALANCES AND PLEDGED TIME DEPOSITS

(a) Cash and cash equivalents

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

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Cash at bank and on hand	**118,023**	72,447

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

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
HK$	**87,955**	26,327
RMB	**26,983**	44,037
USD	**–**	1,017
Others	**3,085**	1,066
	118,023	72,447

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 2016, approximately HK$17,770,000 of initial maturity of two months to twelve months, were short term time deposits pledged for certain bank borrowings and earned interest at the respective time deposit rates. The weighted effective interest rate on these deposits was 2.3%. Pledged time deposits were denominated in HK$ and deposited with creditworthy banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18 CASH AND BANK BALANCES AND PLEDGED TIME DEPOSITS (Continued)

(b) Pledged time deposits (Continued)

As at 31 December 2016, HK$44,000,000 of initial maturity of one month to twelve months, were short term time deposits pledged for bank borrowings and earn interest at the respective short term time deposit rates. The weighted effective interest rate on these deposits was 0.5%. Pledged time deposits were denominated in HK$ 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 were released while guarantees were provided by Mr. MP Wong and Mrs. Wong, the spouse of Mr. MP Wong and time deposits of Mr. MP Wong and Mrs. Wong were pledged for bank borrowings as alternative on 17 March 2017. Such guarantees were in the process of release as at 31 December 2017.

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

19 INVESTMENTS IN INSURANCE CONTRACTS

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
At the beginning of the years	–	34,923
Credited to the consolidated income statements		
– Changes in cash surrender values	–	215
– Interest income from investments	–	710
Disposal (Note 29(c)(iv))	–	(35,848)
At the end of the years	–	–

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 29(c)(iv).

20 SHARE CAPITAL AND SHARE PREMIUM

The Company was incorporated in the Cayman Islands on 23 February 2017.

Authorised ordinary shares:

	Number of shares	**Nominal value of ordinary shares**
		HK$'000
At 23 February 2017 (date of incorporation)	38,000,000	380
Increase in authorised shares (Note (c))	1,962,000,000	19,620
At 31 December 2017	2,000,000,000	20,000

Ordinary shares, issued and fully paid:

	Number of shares	**Nominal value of ordinary shares**	**Share premium**
		HK$'000	HK$'000
At 23 February 2017 (date of incorporation) (Note (a))	1	–	–
Shares issued pursuant to the Reorganisation (Note (b))	999	–	–
Shares issued pursuant to the Capitalisation Shares issue (Note (d))	299,999,000	3,000	(3,000)
Shares issued pursuant to the share offer in Listing (Note (e))	100,000,000	1,000	54,000
Listing expenses related to the issue of new shares (Note (e))	–	–	(9,099)
At 31 December 2017	400,000,000	4,000	41,901

Notes:

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21 OTHER RESERVES

The Group

	Exchange reserve HK$'000	Other reserves (note) HK$'000	Total HK$'000
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

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

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

22 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Non-current		
Provision for long service payments	–	500
Current		
Trade and bills payables (Note (a))	54,938	51,444
Accrual expenses	9,929	3,626
Receipt in advance	1,803	5,710
Other payables	596	453
Accruals and other payables	12,328	9,789
	67,266	61,233
Total	67,266	61,733

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

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
RMB	16,919	30,970
HK$	50,347	12,040
USD	–	18,723
	67,266	61,733

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

(a) As at 31 December 2016 and 2017, the Group's ageing analysis of the trade and bills payables based on invoice date is as follows:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Up to 3 months	**50,819**	42,412
3 to 6 months	**1,458**	6,483
Over 6 months	**2,661**	2,549
	54,938	51,444

23 BORROWINGS

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Current		
Finance lease liabilities	**224**	–
Bank borrowings	**50,186**	118,144
	50,410	118,144
Non-current		
Finance lease liabilities	**149**	–
Bank borrowings	**100,697**	44,000
	100,846	44,000
	151,256	162,144

(a) Bank borrowings

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) certain properties held by WK Equipment Limited and Harvest Dynasty Limited, companies controlled by Mr. MP Wong; (iv) properties held by Mr. MP Wong and (v) guarantees provided by Mr. MP Wong, Mrs. Wong, Dehao Electronics Technology Limited ("**DET**") and Win News Technology Limited ("**Win News**"), 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 2.7%.

23 BORROWINGS (Continued)

(a) Bank borrowings (Continued)

As at 31 December 2017, bank borrowings were denominated in HK$ and secured by (i) pledged time deposits of HK$64,000,000; (ii) properties held by WK Equipment Limited; (iii) guarantees provided by Mr. MP Wong, Mrs. Wong; and (iv) deposits of HK$44,000,000 provided by Mr. MP Wong and Mrs. Wong. As at 31 December 2017, the securities of (ii), (iii) and (iv) were in the process of release. 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	
	2017	2016
	HK$'000	HK$'000
On demand or within a period not exceeding one year	**50,186**	118,144
Between one to two years	**71,287**	44,000
Between two to five years	**29,410**	–
	150,883	162,144

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	
	2017	2016
	HK$'000	HK$'000
Within one year	**50,186**	98,366
Between one to two years	**91,287**	59,027
Between two to five years	**9,410**	4,751
	150,883	162,144

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23 BORROWINGS (Continued)

(a) Bank borrowings (Continued)

The Group has the following undrawn bank borrowing facilities:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Floating rate:		
– Expiring within one year	44	28,027

At 31 December 2016, bank loans of HK$40,417,000 with repayable on demand clause and classified as current liabilities which were drawn from the Group's banking facilities for which certain covenants requirements were in breach. On 24 January 2017, the Group obtained the revised banking facilities letter from bank and those covenants, which were in breach as at 31 December 2016, were removed.

(b) Finance lease liabilities

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	232	–
Later than 1 year and no later than 5 years	151	–
	383	–
Future finance charges on finance leases	(10)	–
Present value of finance lease liabilities	373	–

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
The present value of finance lease liabilities is as follows:		
No later than 1 year	224	–
Later than 1 year and no later than 5 years	149	–
	373	–

24 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.

	HK$'000
Total consideration satisfied by:	
Cash consideration	18
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	25
Net assets disposed of	(5)
Add: Reclassification of exchange reserve upon disposal of a subsidiary	225
Gain on disposal of a subsidiary	238
Analysis of the net cash outflow in respect of disposal of a subsidiary	
– Cash consideration	18
– Less: cash and cash equivalents disposed of	(581)
Net cash outflow from disposal of a subsidiary, net of cash disposed of	(563)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25 CASH FLOW INFORMATION – FINANCING ACTIVITIES

This section sets out the movement of liabilities from financing activities for each of the year ended 31 December 2016 and 2017.

	Liabilities from financing activities			
	Finance lease liabilities	**Interest payable**	**Bank borrowings**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
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	–	–	162,144	162,144
As at 1 January 2017	–	–	162,144	162,144
Non cash-interest cost	–	4,578	–	4,578
Non-cash-purchase of a motor vehicle – finance lease	571	–	–	571
Cash flow	(198)	(4,578)	(11,261)	(16,037)
As at 31 December 2017	373	–	150,883	151,256

26 DIVIDEND

No dividend has been paid or declared by the Company since its date of incorporation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27 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	
	2017	2016
	HK$'000	HK$'000
Operating lease of premises:		
No later than 1 year	**3,443**	4,299
Later than 1 year and no later than 5 year	**6,429**	7,570
Over 5 years	**1,415**	2,371
	11,287	14,240

The Group had no (2016: HK$2,179,000) capital commitment as at 31 December 2017 for purchase of property, plant and equipment.

28 CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 December 2016 and 2017.

29 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 years ended 31 December 2016 and 2017:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29 RELATED PARTY TRANSACTIONS (Continued)

(b) 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	
	2017	2016
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**6,789**	6,292
Pension costs – defined contribution plans	**126**	126
	6,915	6,418

(c) Other arrangements with related parties

(i) As described in Note 23, banking facilities available to the Group were guaranteed by Mr. MP Wong, Mrs. Wong, certain properties held by WK Equipment Limited and Harvest Dynasty Limited, properties held by Mr. MP Wong, DET and Win News as at 31 December 2016. Banking facilities available to the Group were secured by (i) properties held by WK Equipment Limited; (ii) guarantees provided by Mr. MP Wong, Mrs. Wong; and (iii) deposits of HK$44,000,000 provided by Mr. MP Wong and Mrs. Wong; which were in the process of release, as at 31 December 2017,

(ii) At 31 December 2016, the Group had provided a joint corporate guarantees for certain banking facilities of HK$139,167,000 for DET. In the opinion of the Directors of the Group, no material liabilities will arise from the above guarantees. Such guarantees were released during the year ended 31 December 2017.

(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 agreements for the office and warehouse were expired on 31 May 2016.

(iv) On 23 November 2016, AV Promotions Limited transferred the Insurance Policies to Gain Fortune Investment Limited, a company controlled by Mr. MP Wong, 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 transaction was conducted on a basis mutually agreed by both parties.

(v) As described in Note 23(b), finance lease liabilities were originally guaranteed by Mr. MP Wong and on 22 December 2017, such guarantee was released and replaced by the guarantee of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December 2017 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries		30,843
		30,843
Current assets		
Amount due from a subsidiary	(b)	9,284
Cash and cash equivalents		22,729
		32,013
Total assets		62,856
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital		4,000
Other reserve	(a)	72,744
Accumulated loss		(18,235)
Total equity		58,509
Current liabilities		
Accruals and other payables		3,625
Amounts due to subsidiaries	(b)	722
Total liabilities		4,347
Total equity and liabilities		62,856

The statement of financial position of the Company was approved by the Board of Directors on 20 March 2018 and was signed on its behalf.

Wong Man Por
Chairman and Executive Director

Wong Chi Bor
Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

(a) Reserve movement of the Company

	Other reserve HK$'000
As at 23 February 2017 (date of incorporation)	–
Shares issued pursuant to the Reorganisation	30,843
Shares issued pursuant to the Capitalisation Shares issue (Note 20(d))	(3,000)
Shares issued pursuant to the share offer in Listing (Note 20(e))	54,000
Listing expenses related to the issue of new shares (Note 20(e))	(9,099)
As at 31 December 2017	72,744

(b) Amounts due from/(to) subsidiaries

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

31 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of the directors is set out below:

For the year ended 31 December 2017:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2016:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking						
Name	Fee HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Allowances and benefits in kind HK$'000	Employer's contribution to a retirement benefit scheme contributions HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Executive directors							
Mr. MP Wong	–	1,200	–	–	18	–	1,218
Mr. CB Wong (Note)	–	724	–	–	18	–	742
Mr. HP Wong (Note)	–	546	–	152	–	–	698
Ms. Fu Bun Bun (Note)	–	591	–	–	–	–	591
	–	3,061	–	152	36	–	3,249
Independent non-executive directors							
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.

31 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors during the year ended 31 December 2017 (2016: Nil) by a defined benefit pension plan operated by the Group in respect of their other services in connection with the management of the affairs of the company or its subsidiary undertaking.

(c) Directors' termination benefits

No payment was made to any directors as compensation for the termination of the appointment during the year ended 31 December 2017 (2016: Nil).

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

No payment was made to the former employer of any directors for making available the services of them as a director of the Company during the year ended 31 December 2017 (2016: Nil).

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

In addition to those disclosed elsewhere in the consolidated financial statements, there are no loans, quasi loans and other dealing in favour of directors, controlling bodies corporate by and connected entities with such directors during the year ended 31 December 2017 (2016: Nil).

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

In addition to those disclosed elsewhere in the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2017 (2016: Nil).

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December		
	2017	2016	2015
	HK$'000	HK$'000	HK$'000
Revenue	**208,136**	183,979	179,714
Cost of sales	**(159,606)**	(140,808)	(141,671)
Gross profit	**48,530**	43,171	38,043
(Loss)/profit for the year	**(4,610)**	6,280	3,200

ASSETS AND LIABILITIES

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

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

No financial statements of the Group for the years ended 31 December 2013 and 2014 have been published.

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