艾德韋宣集團控股有限公司

ACTIVATION GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability) Stock Code : 9919

2019 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Lau Kam Yiu
(Joint-Chairman & Chief Executive Officer)
Mr. Ng Bo Sing
(Joint-Chairman & Chief Operating Officer)
Mr. Chan Wai Bun
Ms. Low Wei Mun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Cheung Siu Wan
Mr. Yu Longjun
Dr. Cheung Wah Keung

JOINT COMPANY SECRETARIES

Mr. Du Xiaozhou
Ms. So Shuk Yi Betty

AUTHORISED REPRESENTATIVES

Mr. Ng Bo Sing
Ms. So Shuk Yi Betty

AUDIT COMMITTEE

Ms. Cheung Siu Wan *(Chairlady)*
Mr. Yu Longjun
Dr. Cheung Wah Keung

REMUNERATION COMMITTEE

Ms. Cheung Siu Wan *(Chairlady)*
Mr. Lau Kam Yiu
Mr. Yu Longjun

NOMINATION COMMITTEE

Mr. Lau Kam Yiu *(Chairman)*
Mr. Yu Longjun
Dr. Cheung Wah Keung

CORPORATE GOVERNANCE COMMITTEE

Mr. Ng Bo Sing
Ms. Cheung Siu Wan
Dr. Cheung Wah Keung

IP DEVELOPMENT COMMITTEE

Mr. Lam Kam Yiu *(Chairman)*
Mr. Ng Bo Sing
Mr. Yu Longjun

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CORPORATE INFORMATION

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SHARE LISTING

The Stock Exchange of Hong Kong Limited ("**SEHK**")

STOCK CODE

SEHK: 9919

LISTING DATE

16 January 2020

INVESTOR AND MEDIA RELATIONS CONSULTANT

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COMPANY WEBSITE

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HIGHLIGHTS OF THE YEAR

EXPERIMENTIAL MARKETING



PRADA 2020 S/S MENSWEAR FASHION SHOW

2019 / 6 / 6

MERCEDES-BENZ GLC SUV LAUNCH

2019 / 8 / 24



EXPERIMENTIAL MARKETING

ALIBABA 20th ANNIVERSARY

2019.09.10

TIFFANY & CO. VISION & VIRTUOSITY EXHIBITION

2019.09.23 - 11.10

HIGHLIGHTS OF THE YEAR

DIGITAL & BRAND COMMUNICATION

TOM FORD BEAUTY X TMALL CAMPAIGN

2019 / 4 / 23

BOSIDENG X GAULTIER COLLECTION LAUNCH

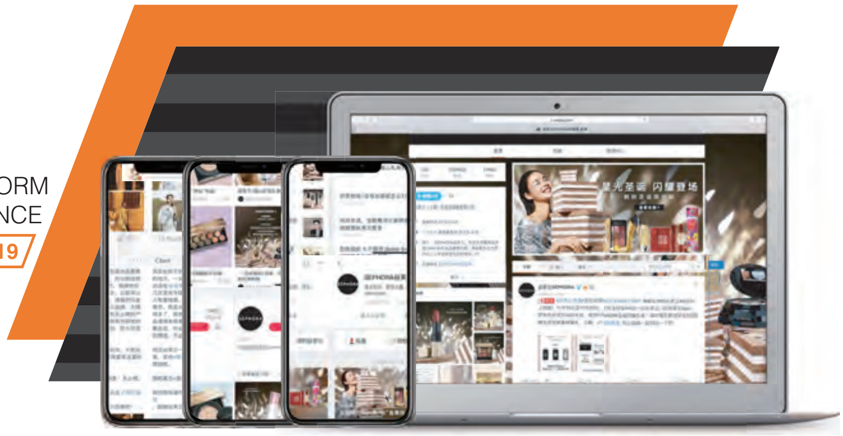
2019 / 11 / 27

HIGHLIGHTS OF THE YEAR

DIGITAL & BRAND COMMUNICATION

GIVENCHY OFFICIAL SOCIAL MEDIA SETUP & MAINTENANCE

2019

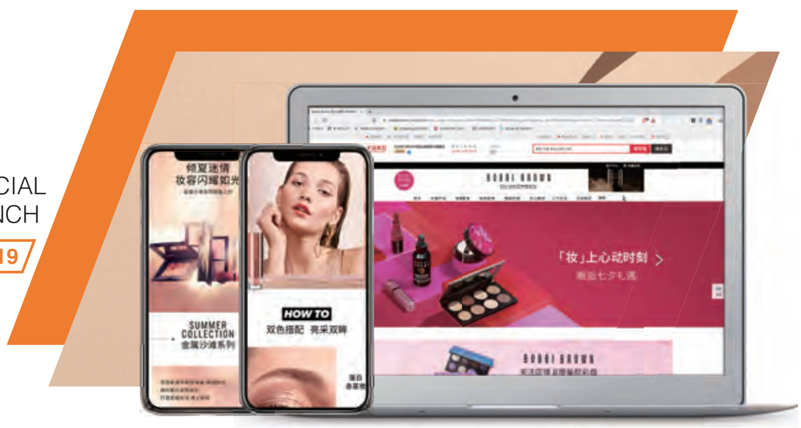


SEPHORA OFFICIAL PLATFORM SETUP & MAINTENANCE

2019

ORIGINS OFFICIAL TMALL & WEBSITE LAUNCH

2019



BOBBI BROWN OFFICIAL TMALL & WEBSITE LAUNCH

2019

HIGHLIGHTS OF THE YEAR

PUBLIC RELATIONS


VOGUEFILM COCKTAIL RECEPTION

2019 / 6 / 10


FRED BEIJING COCKTAIL PARTY

2019.07.16

HIGHLIGHTS OF THE YEAR

IP Development



L'ETAPE ZHUJI BY TOUR DE FRANCE 2019

2019 / 5 / 26


2019 TOUR DE FRANCE SHANGHAI CRITERIUM

2019 / 11 / 16


L'ETAPE CHENGJIANG BY TOUR DE FRANCE 2019

2019 / 12 / 15

AWARDS AND RECOGNITIONS

QUALIFICATION

- Member of China International Public Relations Association (CIPRA)
- Member of Shanghai Conferences and Exhibition Industry Association (SCEIA)

AWARDS

- Participated in various international and national advertising showcase awards with strong recognition in the industry and won a total of 17 awards including gold, silver, bronze and excellence awards.

AWARDS AND RECOGNITIONS

GROUP RECOGNITIONS

- 2018 DAOY Awards (Announced in Jan 2019)
  Clothing - Agency of the Year
- IAI International Awards 2019 (Announced in May 2019)
  Digital Marketing Company of the Year in Greater China
- The 10th Golden Mouse Digital Marketing Competition (Announced in May 2019)
  10-Year Anniversary: Leading Digital Marketing Company
- Most Valuable Companies in Hong Kong Awards 2020 (Announced in Dec 2019)
  Greater China's Most Innovative Marketing Agency of the Year;
  2 Excellence Awards
- Top 20 Exhibition Agency in Shanghai 2019 (Announced in Dec 2019)
  Top 20 of the Year

CAMPAIGN AWARDS

- IAI International Awards 2019 (Announced in May 2019)
  Gold Award, Bronze Award, Excellence Award
- The 10th Golden Mouse Digital Marketing Competition (Announced in May 2019)
  Gold Award, Bronze Award
- The 10th Tiger Roar Awards (Announced in May 2019)
  Silver Award, Bronze Award, Excellence Award

CHAIRMAN'S STATEMENT

Dear Shareholders,

The Board of Directors of Activation Group Holdings Limited (the "Company", collectively with its subsidiaries, the "Group"), is pleased to announce the first annual results of the Group since its listing.

In 2019, the Group reached a milestone in its development to connect itself to the international financial market by preparing for the Company's listing during the year. On 16 January 2020, the Company was successfully listed on the Main Board on the Hong Kong Stock Exchange. Since then, the Group has increased its capital significantly, ready to unlock its potential further and laying a solid foundation for its future development.

The Group actively seized opportunities in the market and achieved excellent performance. For FY2019, the Group's revenue was RMB661.8 million and the profit attributable to shareholders was RMB30.0 million. Excluding the one-off expenses for the listing, the Group recorded an adjusted profit of RMB72.0 million for FY2019, representing an increase of 65.5% compared to that for the FY2018.

The Board does not recommend the payment of any dividend for FY2019.

BUSINESS REVIEW

As a leading provider of experiential marketing services to international premium and luxury brands in Greater China, the Group provides a comprehensive range of marketing solutions for its clients. Its clientele consists of international premium and luxury brands in the industries of fashion, consumer products and automobiles with whom we have developed stable relationships.

In the first half of 2019, the Group recorded a strong growth in adjusted profit. Due to social unrest in Hong Kong that had taken place since June 2019, some of the Group's clients in luxury and premium brands put on hold their upcoming experiential marketing projects originally scheduled for the second half of 2019. In 2019, revenue from clients in the automobile industry was affected significantly by the China-United States trade war whilst revenue from clients in the industries of luxury goods, beauty services and jewelry continued to record double-digit growth. To adapt itself to the market conditions, the Group revised its strategies for selecting which marketing projects to undertake. Since the first half of 2019, the Group strategically steered away from high-income, low-profit margin marketing projects for automobile companies and focused on high-profit margin marketing projects of clients in the fashion industry. As a result, the gross profit margin of our experiential marketing business increased from 26.2% in 2018 to 26.6% in 2019. The Group also actively developed its digital marketing business to improve its profitability and added value. As a result, the gross profit margin of our digital marketing business increased from 30.8% in 2018 to 39.6% in 2019. The aforementioned strategy for selecting marketing projects led to a significant decrease in the revenue from clients in the automobile industry. This, in turn, resulted in a decline in the overall revenue of the Group. However, the Group's overall gross profit margin in 2019 increased by 4.7 percentage points to 29.9% as compared to 2018 and the total gross profit maintained its long-term growth. The Group's adjusted profit margin increased from 6.4% in 2018 to 10.9% in 2019.

On the back of its strong capability to come up with creative solutions and its commitment to the provision of quality services for clients, the Group made a breakthrough in the diversification of its client base by developing and providing marketing services for brands that engage in other industries in 2019. The Group completed a substantial experiential marketing project for Alibaba Group's 20th anniversary party in September 2019 for a member company of the latter.

CHAIRMAN'S STATEMENT

On the other hand, the Group further expanded the geographical market coverage of its sports event marketing business and successfully held a number of large-scale sporting competitions and events in mainland China in the second half of 2019, making good progress in its IP development business. During FY2019, gross profit of the IP development business surged by 34.2% as compared to FY2018. For instance, Le Tour de France Škoda Shanghai Critérium was held in Shanghai in November 2019 and the L'Étape du Tour de France race was held in Chengjiang, Yunnan in December 2019. The Group held tournaments of Le Tour de France and LaLiga Club in various big cities in the PRC and made use of the IP of the two sports events to conduct marketing, sponsorship and merchandising activities in the country.

OUTLOOK AND PROSPECTS

In 2020, the spread of coronavirus disease (COVID-19) has dealt an inevitable blow to the world economy. The impact is expected to spill over into the Group's financial results to a certain extent. However, the seasonality of the Group's business means that the impact is limited because the revenue for the first half of the past financial years only accounted for about 30-40% of the whole year. Usually, fewer experiential marketing projects are held in the first quarter of the year due to the Chinese New Year holidays. However, if the pandemic persists, it may weigh on the performance of the Group's experiential marketing business in terms of the annual results. The management will monitor the situation and adjust the business strategy accordingly.

Although offline promotional activities have decreased significantly amid the pandemic, this has inadvertently popularised online promotional activities. The Group's competitive digital marketing and branding services enable clients to continue their online marketing campaigns. The Group has planned to speed up the digitalisation of its business in 2020. It will commit more efforts and workforce to enrich its digital marketing services.

In order to capture the growing market potential of digital marketing sector, the Company will accelerate the development of digital marketing business and allocate more resources to the related services by the following ways: (i) continuing to launch our "comprehensive digital campaign offering" to more clients. It includes the marketing campaign to build brands across all online social platform, e.g. Weibo, Wechat, Tiktok and Redbook, etc. We also focus on the campaign to drive sales both online, e.g. T Mall, clients' e-commerce sites, etc, and offline; (ii) enhancing our media/KOL platform through developing our fashion KOL platform and incubation, media ROI and sales performance management; (iii) providing social Customer Relationship Management (CRM) for our clients. The system includes data and engagement platform, retail solutions and data integration. Value-added services, including big-data analysis, will also be provided in such system; and (iv) combining the online and offline marketing resources and developing a better cloud show infrastructure in order to facilitate our clients' integrated online campaigns.

Looking ahead, the Group will utilise its own advantages, increase its market share through a series of strategies, enhance its overall competitiveness as a leading integrated marketing solutions provider, and further expand its IP development business.

The Group has also been expanding both the geographical market coverage and the clientele of its integrated marketing solutions business. For instance, the Group has set up an office in Hangzhou of the PRC dedicated to providing services to local internet and consumer brands. Meanwhile, the Group plans to set up an office in Guangzhou of the PRC to strengthen its geographical coverage in the first-tier cities in China and to grasp the business opportunities that arise from the state policy on coordinating the development in the Guangdong-Hong Kong-Macao Greater Bay Area. The Group further plans to establish a Paris office to expand its client base in Europe and to assist Chinese local brands with their marketing in the European markets.

CHAIRMAN'S STATEMENT

In addition to the organic growth, the Group is also exploring the possibilities for acquisitions and cooperation to strengthen its market position and enhance its competitiveness in the integrated marketing solutions industry of the PRC. The Group will seek competent business partners to join the Group so as to enrich its experiential marketing/integrated marketing solutions business. In the PRC, the Group will diversify and foster the development of its digital marketing business through mergers and acquisitions. It is looking for the acquisition targets in companies that specialise in marketing automation, big data and self-media multi-channel networks. Internationally, the Group will seek acquisition targets worldwide in companies which engage in the provision of marketing services for mid-range and high-end consumer brands. The Group aspires to become a leading global integrated marketing solutions provider with enhanced competitiveness and a reinforced competitive moat through these acquisition plans.

In its IP development business, the Group will continue to unlock the value of the brands of LaLiga Club and Le Tour de France in the PRC and, at the same time, plans to obtain the exclusive rights to operate the IP of more other premium brands. Such IP will create more business for the Group's marketing services and products. In addition, the Group will continue to explore opportunities for developing entertainment IP by cooperating with Stufish Productions Limited and Stufish Asia Limited and other potential market players through its joint venture company with the Group.

Although the pandemic has cast a shadow over the world, the Group will take positive steps to deal with the present situation, looking forward to an end of the pandemic outbreak and economic recovery in the second half of 2020. In general, the second half of a year is usually the peak season of the retail industry. Rebounds in the demand for luxury goods and the consumer market are expected backed by the release of the pent-up buying power. The Group will closely monitor the market in order to provide the most suitable integrated marketing solutions and thus capitalise on the recovery of the market.

Now that the Group is successfully listed in Hong Kong, it expects its financial position to be strengthened and both its reputation and publicity to be enhanced. All these can help the Group attract more quality partners and clients. The Group is confident in becoming the global leader of integrated marketing solutions providers.

Finally, due to the impact of the pandemic and objective market factors, the management considers that the current trading price of the Shares does not reflect their intrinsic value. Therefore, the Board is considering buy-backs of the Shares (the "**Share Buy-backs**") in the short term. The Board believes that the Share Buy-backs would reflect the Company's confidence in its long-term business prospects and would ultimately benefit the Company, creating value for the Company and its Shareholders.

Once again, I would like to take this opportunity to express my sincere gratitude to all the employees for their efforts and the Shareholders for their continuous support to the Group.

Lau Kam Yiu
Joint-Chairman and Chief Executive Officer

Hong Kong, 24 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of the Company is pleased to announce the audited annual results of the Group for the FY2019 together with comparative figures of FY2018. These annual results have been reviewed by the Company's Audit Committee.

INDUSTRY OVERVIEW

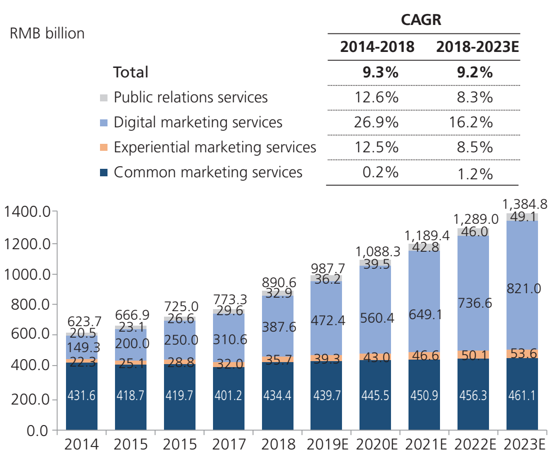
Market size of marketing solutions services market in Greater China by service type

The market size of marketing solution services market in terms of marketing expenditures in Greater China increased from RMB623.7 billion in 2014 to RMB890.6 billion in 2018, representing a CAGR of 9.3%. With the increasing demand for marketing solutions services in Greater China from various downstream industries, the total marketing expenditures on marketing solutions services is expected to continue expanding to reach approximately RMB1,384.8 billion by 2023, representing a CAGR of 9.2% between 2018 and 2023.

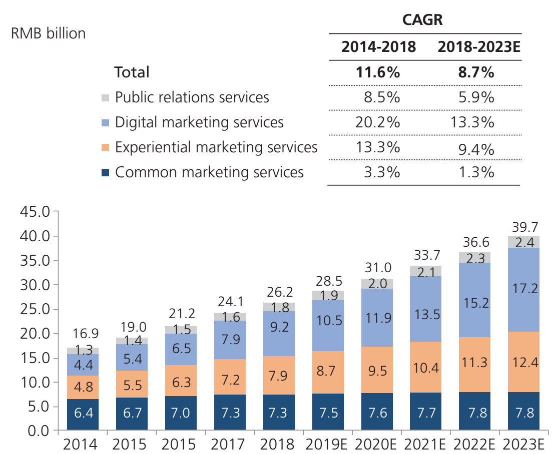
The marketing expenditures on marketing solutions services market for premium and luxury brands in Greater China increased from RMB16.9 billion in 2014 to RMB26.2 billion in 2018, representing a CAGR of 11.6%. It is expected that the total marketing expenditures on marketing solution services for premium and luxury brands is expected to continue growing to reach RMB39.7 billion by 2023, with a CAGR of 8.7% between 2018 and 2023.

The following two charts present the market size of total marketing solution services market and the market size of marketing solution services market for premium and luxury brands in terms of marketing expenditure by service type in Greater China from 2014 to 2023, respectively:

Market size of marketing solutions services market in terms of total marketing expenditure, by service type, Greater China, 2014-2023E



Market size of marketing solutions services market for premium and luxury brands in terms of total marketing expenditure, by service type, Greater China, 2014-2023E

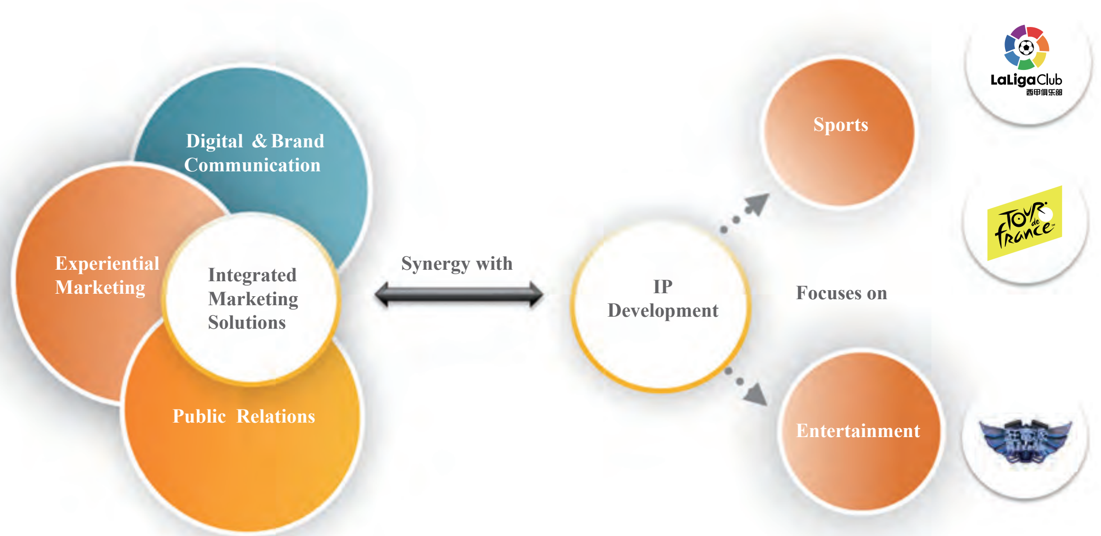


Source: State Administration of Industry and Commerce, China International Public Relations Association, CIC

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a leading and fast-growing integrated marketing solutions provider that focuses on the provision of (i) experiential marketing; (ii) digital and brand communication; and (iii) public relations services which mainly operates in Shanghai and Beijing with coverage in Greater China. According to the independent market research report issued by China Insights Industry Consultancy Limited, in 2018 the Group ranked first, accounting for approximately 6.3% of the market share, in the experiential marketing services for premium and luxury brands market in Greater China, the market in which the Group is operating that has a market size of approximately RMB7.9 billion. The Group also focused on tapping into the sports and entertainment IP development sector. Since 2016, the Group has started its IP development business for sports market where we entered into the IP Cooperation Agreements with each of LaLiga and Amaury Sport Organisation for granting the Group exclusive rights to organise authorised events with LaLiga Club brand and Le Tour de France brand and other rights for marketing, sponsorship, merchandising and other uses in the PRC, subject to the terms of the respective IP Cooperation Agreements. In 2017, the Group also established Stufish Asia Limited with Stufish Productions Limited, tapping into entertainment IP development business.



In 2019, due to the impact of the China-United States trade war, social unrest in Hong Kong and the downturn in the automobile industry, the total revenue of the Group was RMB661.8 million (2018: RMB684.3 million), representing a slight decrease of 3.3% compared with that for FY2018; meanwhile, the Group's timely adjustment of its business strategy and its choice to undertake high-margin projects, control costs and explore more new customers in the industries enabled the Group to still achieve growth in both total gross profit and gross profit margin in 2019. The gross profit was RMB198.1 million in 2019 (2018: RMB172.4 million) and the overall gross profit margin increased significantly from 25.2% for FY2018 to 29.9% for FY2019;

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a net profit of RMB40.9 million (2018: RMB43.5 million) for FY2019. The decrease in net profit was mainly due to the recording of one-off listing expenses and financial costs related to listing restructuring. The listing expenses mainly included legal, auditing and other professional expenses related to the initial public offering of the Company (the "**IPO**") (the impact of income statement was approximately RMB26.8 million); the total fees, interest, and exchange gains and losses of the Company resulting from the one-off borrowing for the restructuring of the original shareholder's shares were RMB4.3 million. The total of the above items reduced the profit of the Company by RMB31.1 million. Without considering the above one-off listing expenses, the Company achieved an adjusted profit of RMB72.0 million in 2019 (2018: RMB43.5 million), representing a year-on-year increase of 65.5%, achieving a substantial increase in financial results.

Geographical Review

Geographically, the Group's business in PRC in 2019 achieved revenue of RMB626.9 million (2018: RMB605.4 million), which accounted for 94.7% (2018: 88.5%) of the Group's total revenue in 2019; business in Hong Kong and Singapore achieved revenue of RMB34.9 million in 2019, which accounted for 5.3% of the Group's total revenue in 2019 (2018: 11.5%), representing a decrease of 55.8% compared with RMB78.9 million for 2018, mainly due to the social unrest in Hong Kong which caused clients to cancel or postpone public relations activities for the second half of 2019.

Business Segment Review

During FY2019, revenue of the Group's integrated marketing solutions services was RMB616.6 million (2018: RMB645.9 million) and accounted for 93.2% (2018: 94.4%) of the Group's total revenue. Profit in this segment was RMB90.8 million (2018: RMB78.7 million). The increase in the profit in this segment was mainly due to the increase in profit margin of experiential marketing services. In terms of segments, the integrated marketing solutions segment almost contributed entirely to the growth in revenue for the compared years, while IP development segment remained relatively stable. In 2019, the revenue generated from IP development segment was RMB45.2 million, representing a year-on-year increase of 17.7%.

The main reason for the decline in revenue in 2019 was that the Group's revenue in the automobile industry has been reduced. As the automobile industry is affected by the macro situation and the China-United States trade war, the gross profit of the integration marketing projects from the automobile clients decreased. Thus, the Group strategically abandoned the low gross profit projects and focused on the clients in the fashion and internet industries. Since the projects in the automobile industry generally have a higher revenue and lower gross profit, the decrease in such projects caused the Group's overall revenue to reduce compared to 2018. On the other hand, the gross profit margin of the Group's integrated marketing solutions segment had increased. In 2019, the Group's revenue from clients in the automobile industry was RMB70.6 million (2018: RMB118.7 million), decreased by 40.5% compare to 2018. At the same time, the revenue from the client in the internet industry reached RMB74.0 million in 2019, becoming the second largest customer industry right after the fashion industry. This increase also offset the negative impact of the decline in revenue from automobile client.

Meanwhile, the revenue contribution and gross profit margin of the Group's digital marketing and public relations services have further improved, thus enhancing the Group's overall profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

Integrated Marketing Solutions Segment

(a) *Experiential Marketing*

The Group is an experiential marketing services provider to international premium and luxury brands in Greater China by providing a comprehensive range of marketing solutions to our clients including event concept, event planning and managements. Through the projects we designed, organised and managed, our clients can expect to achieve significant brand building and promotional effect to mass public or targeted recipients.

These services accounted for RMB470.8 million (2018: RMB514.7 million) or 71.1% (2018: 75.2%) of the Group's total revenue. The decrease in the proportion of revenue from the experiential marketing services was mainly due to the Group's increased focus on providing diversified services for all cases. The public relations and digital and brand communication services therefore grew faster.

(b) *Digital and Brand Communication*

The Group's digital and brand communication services usually help customers promote their brands and products on social media platforms such as Weibo, WeChat, Tiktok, Xiaohongshu, Facebook, Instagram, etc. The Group oversees the overall project implementation process, including creative strategy, management and coordination of parties involved in a project, devising detailed work plans, actualising the project until it goes online, as well as carrying out maintenance and on-going online services on a retainer basis.

These services accounted for RMB110.5 million (2018: RMB108.2 million) or 16.7% (2018: 15.8%) of the Group's total revenue in 2019.

The revenue from these services increased by 2.1% between FY2018 and FY2019. The gross profit margin of the business has been increased from 30.8% for 2018 to 39.6% for 2019. The gross profit increased by 30.8% from 33.4 million in 2018 to 43.7 million in 2019. The growth rate of annual revenue from the business for 2019 was relatively low, but the gross profit margin and gross profit grew faster, mainly because the Group increasingly provided clients with marketing strategies service, which brought higher added value to clients, and the gross profit margin also increased.

(c) *Public Relations*

The Group's public relations services typically involve marketing activities that help its clients to develop communication plans to reach out to their targeted consumers. The Group's services include public relations strategic consultancy services, day-to-day client communications, media relationship management, liaison and celebrity coordination services.

In FY2019, the revenue from these services increased by 53.5% to RMB35.3 million (2018: RMB23.0 million), accounted for 5.3% of the Group's total revenue (2018: 3.4%). The increase was mainly accounted to the enhanced synergy among different business units within the Group.

Public relations services achieved gross profit of RMB18.2 million in 2019, representing a year-on-year significant increase of 136.4% compared with RMB7.7 million for 2018, mainly due to a substantial growth in revenue for 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

IP Development Segment

The Group has ventured into the area of IP development with a focus on sports and entertainment. These IP development brands, although relatively new in the PRC, have global appearances and superb publicity effect. The Board believes that coupling them with the Group's integrated marketing solutions segment will bring out massive business potential and will create many new business opportunities for our integrated marketing solutions segment.

This segment generated revenue of RMB45.2 million (2018: RMB38.4 million), with a year-on-year increase of 17.7%, accounting for 6.8% (2018: 5.6%) of the Group's total revenue in 2019. The gross profit was RMB11.0 million (2018: RMB-3.8 million), representing a significant increase in profit compared with the loss for the corresponding period of last year. The Group held a number of IP projects in 2019 and made good progress. In 2019, the Group signed three-year long-term competition contracts for organising local Le Tour de France competitions with Zhuji and Yunnan respectively, which significantly strengthened the sustainability and profitability of the IP developments segment of the Group. Moreover, the development of this segment led to more business in the integrated marketing solutions segment including experiential marketing and public relations services, strengthening the synergy of different businesses within the Group.

MARKET REVIEW

In early 2020, the global outbreak of coronavirus disease (COVID-19) has caused severe impacts on both the PRC and global economy. Although the situation has been under control to a large extent with the effective prevention and control measures adopted by the PRC government, the worldwide spread of pandemic without showing any sign of recovery will greatly dampen investors' and consumers' confidence. The turmoil in financial markets and global economic activities have been hindered by the pandemic, which has curbed consumer demand for luxury goods within a short period of time. There have been disruptions of large-scale outdoor sports events due to the pandemic as well.

Fortunately, various countries have introduced a number of measures to prevent the spread of the coronavirus, as well as certain large-scale monetary and fiscal stimulus packages to encourage consumption and guarantee employment. The economy will gradually recover once the situation eases up, and the purchasing power on hold during the pandemic will also be released. At that time, the demand for luxury goods will pick up again, driving the global consumer market to rebound.

In order to respond to the latest market changes, the Group will take the following actions in the future:

1. **Making further efforts in brand customers in the Internet and consumer industries**

    After holding the anniversary celebration for the PRC internet giant Alibaba last year, the Group realised that the demand for experiential marketing services is growing for high-quality brands in the domestic Internet industry. The Group has set up an office in Hangzhou, the hub of Internet companies in PRC, aiming at a gradual expansion of the experience marketing business from fashion, jewelry and automobiles sectors to the Internet and other consumer industry markets.

MANAGEMENT DISCUSSION AND ANALYSIS

2. **Accelerating digital marketing business through mergers, acquisitions and cooperation**

The digital economy is emerging in the PRC. With the outbreak of coronavirus disease (COVID-19) in the PRC, the real economy has been severely damaged, creating a good opportunity for the rapid development of the digital economy. At the same time, the advanced 5G development in the PRC has presented huge business opportunities to digital marketing. The Group will use customised software for big data analysis to improve operating efficiency and service types. In order to rapidly increase business volume and market share, the Group plans to accelerate the development of digital marketing business through mergers and acquisitions in the PRC, and is identifying acquisition targets such as marketing automation, big data, and self-media multi-channel network (MCN) companies.

3. **Expanding the geographical coverage of experiential marketing business**

For international development outside the PRC, the Group focuses on the mid-range and high-end consumer service market, and is identifying suitable international mergers and acquisitions targets, aiming at becoming one of the leading global integrated marketing solution service providers focusing on serving mid-range and high-end brands while further improving the competitiveness of the Group and expanding coverage of businesses outside Asia.

4. **Attracting more quality partners and clients while strengthening and expanding integrated marketing and sports IP development business**

The increasing health awareness of consumers will facilitate the demand on sports activities, bringing a new development opportunity for sports marketing. In response to the current market environment, the Group will adjust its integrated marketing strategy to provide clients with the most suitable integrated marketing solutions, attract more premium partners and clients, and strengthen and expand the sports IP business. The Group will respond to the challenges in the current economy with a positive attitude. The second half of the year is a traditional peak season for the industry. The Group hopes that as the pandemic eases up and the economy gradually picks up, the demand for luxury goods is expected to recover, which will in turn bring a rebound in the consumer market. The Group will closely monitor the market conditions and seize the opportunity of market reversal.

FINANCIAL REVIEW

Cost of sales

The cost of sales of the Group decreased by 9.4%, from RMB511.9 million for FY2018 to RMB463.6 million for FY2019. Overall speaking, the decrease in the Group's cost of sales was mainly caused by the decrease in our revenue and increase of the gross profit margin. The fluctuations in the cost of sales components were mainly dependent on the types and mix of projects carried out by the Group in the respective periods. The cost of sales components mainly includes production cost, media cost and venue rental cost.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by 14.9% from RMB172.4 million for FY2018 to RMB198.1 million for FY2019. The Group's overall gross profit margin significantly increased from 25.2% for FY2018 to 29.9% for FY2019. As mentioned above, it was mainly due to the increase in gross profit margin of each segment in 2019, and the proportion of public relations and digital marketing segments with higher gross profit margins has also increased.

Other income and gains

The Group's other income and gains increased significantly by 180.9%, from RMB6.8 million for FY2018 to RMB19.1 million for FY2019, mainly because (i) on 8 August 2019, the Group obtained a court ruling in favour of the Group against a third party contract for about RMB8.0 million (inclusive of tax) as compensation for the Le Tour de France challenge (originally scheduled to be held in 2018, but it failed to be held because the third party failed to fulfil the contract); and (ii) the Group received government subsidies of approximately RMB6.8 million during the same period.

Selling and distribution expenses

The Group's selling and distribution expenses increased by 16.2%, from RMB66.2 million for FY2018 to RMB76.9 million for FY2019. Such increase was primarily due to the increase in staff cost. In 2019, the Group increased its investment in its business operations under digital marketing, IP development and other services, which led to the increase in aggregate annual salary of employees. The increase in staff costs was largely in line with the increase in the number of employees.

General and administrative expenses

The Group's administrative expenses increased by 60.1%, from RMB42.6 million for FY2018 to RMB68.2 million for FY2019. This was mainly attributable to the one-off listing expenses recorded in general and administrative expenses mainly including the legal and other professional expenses related to the IPO of the Company (the impact of which on the profit or loss statement was approximately RMB26.8 million) and the one-off borrowing handling fees involved in the reorganization amounted to RMB1.6 million and there were related travel and personnel costs for the IPO work.

Other expenses, net

The Group's other expenses, recorded a net decrease from RMB2.9 million for FY2018 to RMB0.4 million for FY2019. Such decrease was primarily because there was no longer any significant impairment losses of the Group's assets in 2019.

Finance costs

The Group's finance costs increased by 350.0%, from RMB1.0 million for FY2018 to RMB4.5 million for FY2019, mainly due to the higher loan interest total of RMB2.6 million arising from one-off borrowing of RMB64.8 million for preparations for the restructuring in preparation of the IPO for FY2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Net profit

The Group recorded a net profit of RMB40.9 million (2018: RMB43.5 million) for the year. The decrease in net profit was mainly due to the one-off listing expenses and financial costs related to listing restructuring. The listing expenses mainly included legal, auditing and other professional expenses related to the IPO (the impact of income statement was approximately RMB26.8 million); the total fees, interest, and exchange gains and losses of the Company resulting from the one-off borrowing for the restructuring of the original shareholder's shares were RMB4.3 million. The total of the above items reduced the profit of the Company by RMB31.1 million. Without considering the above one-off expenses, the Company achieved an adjusted profit of RMB72.0 million in 2019 (2018: RMB43.5 million), representing a year-on-year increase of 65.5%, achieving a substantial increase in financial results.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the FY2019.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and cash equivalents

As at 31 December 2019, the Group's cash and cash equivalents amounted to approximately RMB129.5 million (31 December 2018: RMB88.4 million).

Net proceeds from the IPO

The Shares were listed on 16 January 2020 and pursuant to the allotment results announcement of the Company dated 15 January 2020, the net proceeds from the IPO were approximately HK$345.0 million. The following table sets out the breakdown of the use of proceeds from the IPO as disclosed in the Prospectus:

Designated use of net proceeds	**Percentage**	**Net Proceeds** *HK$ million*
To develop and expand our existing business of integrated marketing solutions and IP development	55.9%	192.8
Cash reserve for strategic investment funds for suitable cooperation or investment opportunities	34.2%	118.0
General working capital and general corporate purpose	9.9%	34.2
	100%	345.0

As at the Latest Practicable Date, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus dated 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowing and charges on the Group's assets

As at 31 December 2019, the total interest-bearing borrowings of the Group were RMB74.8 million (2018: RMB19.0 million). The increase in borrowings was mainly due to the one-off restructuring loan of RMB64.8 million.

Gearing ratio

The gearing ratio as at 31 December 2019, calculated on the basis of bank and other borrowings over total equity, was 103.9% as compared with 13.3% as at 31 December 2018. The increase in the gearing ratio was mainly due to the one-off loan borrowed by the Group in 2019 to repurchase the equity held by part of the original shareholders of the Group. These repurchases reduced the Group's owner's equity on 31 December 2019 and increased the Group's current liabilities.

With the current level of cash and cash equivalents as well as available banking facilities, the Group's liquidity position remains strong and has sufficient financial resources to meet its current working capital requirement and future expansion.

Trade receivables and trade payables

The trade receivables of the Group decreased by 34.1% from RMB258.6 million as at 31 December 2018 to RMB170.3 million as at 31 December 2019.

The trade payables of the Group decreased by 8.2% from RMB163.1 million as at 31 December 2018 to RMB149.7 million as at 31 December 2019.

In general, the fluctuations were mainly due to (i) year-on-year slight decrease in revenue; and (ii) different settlement practices of clients in different industries. Among them, clients in the automobile industry had higher billing and payment times than other industries. The number of projects undertaken by the industry decreased year-on-year, so the overall trade receivables and unbilled receivables decreased significantly; (iii) In 2019, the Group consciously improved the capital turnover efficiency of the Company and strengthened its receivables collection management.

Net current assets and current ratio

As at 31 December 2019, the Group had net current assets of RMB50.5 million (FY2018: RMB120.6 million) at a current ratio of 1.2 (FY2018: 1.5). The decrease in the current ratio was mainly due to the substantial increase in the short-term borrowings of the Group caused by one-off borrowings for the IPO. If this one-off borrowings is not counted, the current ratio of the Group increased significantly compared with that for 2018.

Contingent liabilities

The Group has no material contingent liabilities as at 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Acquisition and disposal of subsidiary and associated companies

The Group had no material acquisitions and disposals of subsidiaries and associated companies during the FY2019.

Foreign Exchange Risk

The Group operates in the PRC, Hong Kong and Singapore with transactions mainly denominated and settled in Renminbi. The income and bank deposits of the Group were substantially denominated in Renminbi to meet the Group's development and operation needs in the PRC. Other than the foreign currency denominated bank deposits and bank borrowings, the Group does not have any other material exposure to foreign exchange risk.

The Group continues to adopt a proactive approach to closely monitor the foreign currency market, as well as explore the domestic capital market for financing opportunities and consider other hedging arrangements if such need arises.

Economic, Commercial and Other Risks

The Group may be exposed to the risk of negative developments in the PRC and global economies and financial markets. It may also result in recession, inflation, deflation and currency fluctuations as well as restrictions in the availability of credit, increases in financing and other operating costs. Some of the Group's major clients are premium and luxury fashion brands. The revenue and growth of the fashion industry are highly sensitive to the general economic performance regionally and globally. As budgets of brand owners are closely related to the economic trend, the Group is indirectly exposed to the economic factors and risks that affect such brand owners, the general industry trend, the consumption behaviour of consumers and government policies.

The Group may also be subject to a number of regulatory environments in the territories in which it operates. Changes in the laws and regulations on matters as ownership of assets and businesses, regulations related to development and operations, exchange controls, tax rules and employment legislation may bring uncertainty to the business of the Group and may materially and adversely affect the results of operations.

Changes in the political environment in such territories may also affect the Group. The management of the Group will keep abreast of the environment and policy changes and make the necessary adjustments in response to such changes, if any. Further steps taken by the Group to manage the financial risk will be set out in the notes to financial statements.

HUMAN RESOURCES

As at 31 December 2019, the total number of employees of the Group was approximately 343 and the emoluments inclusive of directors' were approximately RMB92.3 million. The Group offers a comprehensive remuneration package which is reviewed by management on a regular basis. The Group also invests in continuing education and training programs for its management staff and other employees with a view to constantly upgrade their skills and knowledge. The Group values employees as its most valuable assets and believes effective employee engagement is an integral part of business success. In this context, effective communication with employees at all levels is highly valued with the ultimate goal to enhance the efficiency in providing quality service to the clients.

FOUR-YEAR FINANCIAL SUMMARY

The following table summarises the results, and assets and liabilities of the Group for the years ended 31 December 2016, 2017, 2018 and 2019:

The summary of the results, and assets and liabilities of the Group for the years ended 31 December 2016, 2017 and 2018 was extracted from the prospectus of the Company dated 31 December 2019. No financial statements of the Group for the year ended 31 December 2015 have been published.

	Year ended 31 December			
	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS				
Revenue	**661,774**	684,335	492,466	361,814
Profit before tax	**66,866**	65,260	42,466	52,662
Income tax expense	**(25,995)**	(21,743)	(17,007)	(14,173)
Profit attributable to owners of the parent	**29,969**	37,114	20,961	32,452

	As at 31 December			
	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES				
Total assets	**359,679**	405,114	340,940	238,584
Total liabilities	**(287,650)**	(262,512)	(202,061)	(116,478)
Net assets	**72,029**	142,602	138,879	122,106
Equity attributable to owners of the parent	**59,892**	121,126	116,926	104,067

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Below are the brief profiles of the Directors and senior management of the Group since the Listing Date to the Latest Practicable Date.

DIRECTORS

The Board currently comprises seven Directors, of which four are executive Directors and three are independent non-executive Directors. The following table sets forth information regarding the Directors.

Name	Age	Position	Date of Appointment
Mr. Lau Kam Yiu	44	Executive Director, joint-chairman and chief executive officer	16 September 2019
Mr. Ng Bo Sing	39	Executive Director, joint-chairman and chief operating officer	27 February 2019
Mr. Chan Wai Bun	48	Executive Director	16 September 2019
Ms. Low Wei Mun	56	Executive Director	16 September 2019
Ms. Cheung Siu Wan	53	Independent non-executive Director	19 December 2019
Mr. Yu Longjun	34	Independent non-executive Director	19 December 2019
Dr. Cheung Wah Keung	59	Independent non-executive Director	19 December 2019

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Kam Yiu (劉錦耀), aged 44, the joint-chairman of the Board and the chief executive officer of the Group who is responsible for the overall strategic development, and leading the business development of the Group. He is an executive Director since September 2019. He joined the Group in 2014 as the managing director of Activation Group. Mr. Lau is one of the Controlling Shareholders and a director of certain subsidiaries of the Group. Mr. Lau obtained a bachelor's degree of business administration from the Chinese University of Hong Kong in 1998. He also obtained a master's degree of technology management in information technology from the Hong Kong University of Science and Technology in 2002. He completed the Global CEO Program for China jointly from China Europe International Business School, IESE Business School and Harvard Business School in 2015. Mr. Lau was recognised as a talent in "The 1000 Talents Plan of Shanghai"(上海千人計劃)in 2018. Mr. Lau was also recognised as "Top 10 Leader of Changning District" by the Shanghai Changning District Committee of Shanghai Changning District local government(上海長寧區十大領軍人才)in 2017.

Mr. Lau has more than 21 years of experience in the marketing industry.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng Bo Sing (伍寶星), aged 39, is the joint-chairman of the Board and the chief operating officer of the Group who is responsible for the overall strategic development, and leading the business operation of the Group. He is an executive Director since September 2019. He joined the Group in 2013 as the director of Activation Group. Mr. Ng is one of the Controlling Shareholders and a director of certain subsidiaries of the Group. Mr. Ng obtained a bachelor's degree of engineering from the University of New South Wales in 2006 and a master's degree of science in finance from the University of Michigan (long distance learning course) in 2008. He further completed a chief financial officer programme from China Europe International Business School in 2016.

Mr. Ng has over 10 years of experience in management.

Mr. Chan Wai Bun (陳偉彬), aged 48, is responsible for the overall operation of experiential marketing business of the Group. He joined our Group in 2014 as the general manager of Activation Events. He is an executive Director since September 2019. Mr. Chan obtained a bachelor's degree of social sciences from Lingnan College (currently known as Lingnan University) in 1994. He further obtained a bachelor's degree in laws from Tsinghua University (long distance learning course) in 2010.

He has more than 23 years of experience in the marketing industry. Prior to joining the Group, Mr. Chan was the senior account director of Saatchi & Saatchi Great Wall Advertising Co., Ltd. Guangzhou Branch, which principally engages in provision of advertising and marketing services, from 2001 to 2007; and the associate account director of Asatsu-DK Hong Kong Limited, which principally engages in provision of advertising and marketing services, from 1996 to 2000.

Ms. Low Wei Mun (劉慧文), aged 56, is a general manager of Activation Events who is responsible for the overall operation of experiential marketing business of the Group. She is an executive Director since September 2019. She has more than 18 years of experience in the marketing industry. She joined the Group in 2014 as the general manager of Activation Events. Ms. Low accumulated experiences in marketing through working in marketing companies in Hong Kong and Beijing from 1999 to 2009. She also gained experiences in client management in a media and a retail company from 1993 to 1999.

Independent non-executive Directors

Ms. Cheung Siu Wan (張少雲), aged 53, is an independent non-executive Director since December 2019. Ms. Cheung obtained a bachelor's degree of arts in business studies from the City Polytechnic of Hong Kong (currently known as the City University of Hong Kong) in 1988. She completed the postgraduate certificate in education course in the University of Hong Kong in 1995. She further obtained a master's degree of science in accounting from The Hong Kong University of Science and Technology in 1996 and a master's degree of arts in practical philosophy from Lingnan University in 2017. Ms. Cheung was admitted as a fellow of the Association of Chartered Certified Accountants in 2014 and a fellow of the Hong Kong Institute of Certified Public Accountants in 2006. She is currently a non-practising member of Hong Kong Institute of Certified Public Accountants.

Ms. Cheung has over 23 years of experience in taxation advisory. She was the independent director of Activation Group from 2017 to March 2019. Ms. Cheung has been the member of Customer Liaison Group for small and medium enterprises of the Trade and Industry Department of the Government of HKSAR since 2017.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yu Longjun（余龍軍）, aged 34, is an independent non-executive Director since December 2019. Mr. Yu obtained a bachelor's degree of applied chemistry from Fudan University in 2007. He further obtained master's degree of business administration from Cheung Kong Graduate School of Business in 2015. He was admitted as a non-practising member of Shanghai Institute of Certified Public Accountants in 2011 and a Chartered Financial Analyst of CFA Institute in 2018.

He has more than seven years of experience in accounting and investment management.

Mr. Yu has been an independent director of Sanbian Sci-Tech Co., Ltd*（三變科技股份有限公司）, a company listed on Shenzhen Stock Exchange (Stock code: 002112), which principally engages in manufacturing of all immersed power and distribution transformer since 2018. He was also the independent director of Activation Group from 2017 to 2019.

Dr. Cheung Wah Keung（張華強）, aged 59, is an independent non-executive Director since December 2019. Dr. Cheung obtained a bachelor's degree of business administration and a master's degree of social science in global political economy from the Chinese University of Hong Kong in 1994 and 2015 respectively. He also obtained a master's degree of corporate governance and a doctor's degree of business administration from the Hong Kong Polytechnic University in 2009 and 2013 respectively. Dr. Cheung is currently an independent non-executive director of 3 companies listed in Hong Kong, namely Sky Light Holdings Limited (stock code: 3882.hk) since 2015; Casablanca Group Limited (stock code: 2223.hk) since 2018; and PanAsialum Holdings Company Limited (stock code: 2078.hk) since 2018.

Dr. Cheung was the president of the Hong Kong Young Industrialists Council from 2015 to 2016, the chairman of Departmental Advisory Committee of Department of Marketing of City University of Hong Kong from 2016 to 2018 and the chairman of the Advisory Board for Master of Corporate Governance of the Hong Kong Polytechnic University from 2016 to 2020. Furthermore, he has been a council member of Hang Seng Management College (currently known as Hang Seng University of Hong Kong) since 2017. Dr. Cheung was awarded "Young Industrialist Awards of Hong Kong" by Federation of Hong Kong Industries in 2005.

SENIOR MANAGEMENT

Ms. Wong Nim Man（黃念雯）, aged 44, is the general manager of Activation Digital and Activation PR who is responsible for the overall operation of digital communication and public relations services business of the Group. Ms. Wong obtained a bachelor's degree of arts from the University of Hong Kong in 1998. She further obtained a master's degree of business administration jointly from Northwestern University and The Hong Kong University of Science and Technology in 2016. She has more than 20 years of experience in sales and marketing industry and joined the Group in 2014.

Mr. Tu Hung-Wei（凃弘煒）, aged 46, is the general manager of Activation Digital who is responsible for the overall operation of digital communication services business of the Group. Mr. Tu obtained a bachelor's degree in commercial design from Ming Chuan University in 2000. Mr. Tu has more than 17 years of experience in the advertising industry and joined the Group in 2014 as the general manager of Activation Digital.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Bao Yifeng (包一峰), aged 47, is the general manager of Activation PR and is responsible for the overall operation of public relations services business of the Group. Mr. Bao received his hospitality related education through studying a two-year course in Shanghai in 1991. He has more than 16 years of experience in the marketing industry. Mr. Bao joined the Group in 2014 as the general manager of Activation PR.

Ms. Zhou Qi (周琦), aged 45, is the general manager of Activation Sports Development and Activation Sports Management and is responsible for the overall operation of sports IP development services business of the Group. Ms. Zhou obtained a bachelor's degree in investment and economics from Shanghai University of Engineering Science in 1997. She further obtained a master's degree of business administration from Maastricht School of Management (long distance learning course) in 2004. She has more than 19 years of experience in business development. She joined the Group in 2014 as the business development director of Activation Group.

Mr. Choi Wai Tong Winton (蔡偉棠), aged 44, is the general manager of Activation Digital and is responsible for the overall operation of digital communication and Big Data analysis services business of the Group. Mr. Choi obtained a bachelor's degree of engineering in mechanical engineering from the Hong Kong University of Science and Technology in 1997. He further obtained a master's degree of technology management in information technology from the Hong Kong University of Science and Technology in 2002. He has more than 21 years of experiences in project management. He joined the Group in 2014 as the general manager of Activation Digital.

Ms. Cheng Yuen Yee June (鄭婉宜), aged 45, is the general manager of Activation Events HK and Activation Events SGP and is responsible for the overall operation of the experiential marketing business of the Group in Hong Kong and Singapore. She has more than 19 years of experience in event production industry. She joined the Group in 2014 as the general manager of Activation Events HK. Ms. Cheng is the spouse of Mr. Shaw, one of the members of senior management of the Group.

Mr. Jeremy Mark Shaw, aged 49, is the general manager of Activation Events HK and the general manager and director of Activation Events SGP and is responsible for the overall operation of the experiential marketing business of the Group in Hong Kong and Singapore. In 2014, he joined the Group as the general manager of Activation Events HK. He has more than 20 years of experience in technical production management. Mr. Shaw is the spouse of Ms. Cheng, one of the members of senior management of the Group.

Mr. Du Xiaozhou (杜曉舟), aged 35, is the secretary of the board of directors of Activation Group and joint company secretary of the Company and is responsible for the investment and finance management of the Group. Mr. Du obtained a bachelor's degree in business administration from Tongji University in 2008 and a master's degree in finance from Ecole Supérieure de Commerce de Reims (currently known as NEOMA Business School) in 2010. He has more than 8 years of experience in investment management.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Mr. Du Xiaozhou（杜曉舟）, aged 35, is one of the Company's joint company secretaries. He was appointed as our company secretary on 16 September 2019. Please refer to his biographical details in the paragraph headed "Overview – Senior management" in this section.

Ms. So Shuk Yi Betty（蘇淑儀） is one of the Company's joint company secretaries. She was appointed as our company secretary on 16 September 2019. Ms. So is not an employee of our Company, but an external service provider engaged by us as our company secretary and Mr. Du is the key contact person with whom Ms. So can contact.

Ms. So is the vice president of SWCS Corporate Services Group (Hong Kong) Limited, a corporate services provider. Ms. So obtained a master's degree in Chinese and Comparative Law from the City University of Hong Kong in 2004 and a master's degree in business administration from the University of Leicester (long distance learning course) in 1999. Ms. So was admitted as an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom since 1997.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound corporate governance policies and measures, and the Board is responsible for performing such corporate governance duties. The Board will continue to review and monitor the corporate governance of the Company, as well as various internal policies and procedures, including but not limited to those applicable to employees and Directors, with reference to the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and other applicable legal and regulatory requirements so as to maintain a high standard of corporate governance of the Company.

As the Company was not yet listed on the Main Board of the Stock Exchange until 16 January 2020, the CG Code was not applicable to the Company during the FY2019. However, in the opinion of the Directors, the Company has fully complied with the CG Code except from the deviation from the Code Provision A.2.1 of the CG Code.

Mr. Lau Kam Yiu is currently taking the roles of Joint-Chairman of the Board and Chief Executive Officer of the Group. Under code provision A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Taking into account that Mr. Lau has extensive experience in the marketing industry, the Board considered that the roles of joint-chairman and chief executive officer being performed by Mr. Lau will enable more effective business planning and implementation of the Group. In order to maintain good corporate governance and fully comply with the provisions of the CG Code, the Board will regularly review the necessity to appoint different individuals to perform the roles of chief executive officer separately.

BOARD OF DIRECTORS

The Board is responsible for the leadership and the internal control procedure of the Group, overseeing the Group's businesses, strategic decisions and performance. The Board is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board has general powers for the management and is conducting the Company's business. The daily operations and management are delegated by the Board to the management of the Company, who will implement the strategy and direction as determined by the Board.

The Board currently consists of seven Directors, namely Mr. Lau Kam Yiu (Joint-chairman and chief executive officer, Mr. Ng Bo Sing (joint-chairman and chief operating officer), Mr. Chan Wai Bun and Ms. Low Wei Mun as executive Directors; and Ms. Cheung Siu Wan, Mr. Yu Longjun and Dr. Cheung Wah Keung as independent non-executive Directors. None of the Directors has a relationship (including financial, family or other material or relevant relationship) with each other. The Board has a balance of skills and experience which meets the requirements of the Company's business.

The biographies of the Directors of the Company are set out on pages 26 to 30 of this annual report. The list of Directors and their roles and function is also disclosed in the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE REPORT

Each of the independent non-executive Directors of the Company has entered into a service contract with the Company. Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years and is subject to retirement by rotation at the annual general meeting at least once every three years.

These service contracts and letters of appointments are subject to termination in accordance with their respective terms. The term of the service contracts and the letters of appointment may be renewed in accordance with the Articles of Association of the Company, the Listing Rules and other applicable laws.

Code provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term and are entitled to be re-elected. While code provision A.4.2 states that all directors appointed to fill temporary vacancies should be subject to election by shareholders at the first general meeting after appointment and that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Articles, all the Directors are subject to retirement by rotation at least once every three years. Any new Director appointed by the Board (i) to fill a temporary vacancy in the Board shall have tenure until the first general meeting of the Company following his appointment and shall be subject to re-election at such meeting; and (ii) as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall be entitled to be re-elected.

The aggregate remuneration (including fees, salaries, contributions to pension schemes, and discretionary bonuses, shall be paid to the Directors for FY2019 was approximately RMB5,574,000.

The remuneration of the Directors of the Company is determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group. Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by brand for FY2019 is set out below:

Remuneration band	**Number of individuals**
Nil to HK$1,000,000	7
HK$1,000,001 to HK$1,500,000	—
HK$1,500,001 to HK$2,000,000	—
HK$2,000,001 to HK$2,500,000	1

Details of the remuneration of the Directors and the five highest paid employees for the year ended 31 December 2019 are set out in note 8 and note 9 to the consolidated financial statements

The Company has arranged appropriate insurance to prevent the Directors from litigations related to corporate affairs against them.

The Board allowed Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company’s expense pursuant to the procedure in code provision A.1.6 of the CG Code.

CORPORATE GOVERNANCE REPORT

During the period from the Listing Date to the Latest Practicable Date, the Board had always complied with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board, of whom Ms. Cheung Siu Wan, Mr. Yu Longjun and Dr. Cheung Wah Keung are the Directors possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

Confirmation of Independence from the independent non-executive Directors

All independent non-executive Directors have met the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules by having considered that (i) the Company has received from each of them an annual written confirmation of his independence; (ii) they were not involved in the daily management of the business; and (iii) there is no indication of relationship or circumstances that will impact their independent judgment, the Board confirmed that they are all independent from their respective date of appointment to the Latest Practicable Date.

JOINT COMPANY SECRETARIES

The joint company secretaries of the Company are Mr. Du Xiaozhou and Ms. So Shuk Yi Betty ("**Joint Company Secretaries**").

The Joint Company Secretaries are responsible for facilitating the Board processes, ensuring the Board procedures are followed and Board activities are efficiently and effectively conducted, as well as ensuring flow of information among the Board members with management and shareholders.

All Directors have access to the advice and services from the Joint Company Secretaries to ensure the compliance with the Board procedures, and all applicable rules and regulations are followed.

All draft and final minutes of Board meetings and Board Committees meetings include detailed record on matters considered and decisions made and shall be sent to Directors and Board Committees members for comments and approval. Minutes of the Board, Board committees and general meetings are kept by the Joint Company Secretaries and are available and being circulated to all Directors periodically.

The Joint Company Secretaries shall regularly send updates on legal, regulatory and corporate governance developments and arranges in-house seminars for the Directors.

Mr. Du, a member of Group senior management, is responsible for the investment and finance management of the Group. He is the primary contact person of Ms. So in the Company. During the period from the Listing Date to the date of this annual report, the Joint Company Secretaries, actively participated in studies and updated their professional knowledge related to the Listing Rules and corporate governance to continuously improve their professional skills as company secretaries. Both Joint Companies Secretaries had complied with the requirements on taking no less than 15 hours of relevant professional training for FY2019.

Ms. So is vice president of SWCS Corporate Services Group (Hong Kong) Limited, appointed by the Company as a joint company secretary. She is responsible for advising the Board on corporate governance matters and to ensure the compliance with Board policy and procedures, applicable laws, rules and regulations.

CORPORATE GOVERNANCE REPORT

Time Commitments and Responsibilities of Directors

All Directors are expected to ensure to spend sufficient time and attention to fulfill their responsibilities effectively, try their best to attend all Board/committee meetings and annual general meetings, and ensure that other positions they take shall not affect the effectiveness of their contribution or the time on the Company. The major duty of the independent non-executive Directors are detailed in their biographies.

All Directors are required to disclose their number of positions, identities and nature in Hong Kong and overseas listed public companies or organizations and other significant positions during their tenure in the Company. Any information change shall have to be disclosed promptly. Such changes will be updated in their biographies and disclosed in the annual and interim reports as appropriate. Timeline related to the Directors on their directorships and other commitments will also be disclosed on an annual basis.

Since the Listing Date of the Company is after 31 December 2019, the independent non-executive Directors shall make disclosures about the time spent on the affairs of the Company and also confirm that they are able to give sufficient time and attention to the affairs of the Company in next year annual report.

The Nomination Committee shall regularly review the time commitments required from a Director to perform his/her responsibilities to ensure that the Board's effectiveness is not compromised. The Board believes, in principle, that Directors' external commitments will benefit the Company by providing them with a diversity of skills, experience, knowledge and perspectives and are relevant to their role in the Company.

Directors' Induction and Continuous Professional Development

All Directors have participated in continuous professional development in FY2019 and provided a training record correspondingly, which includes the updates on the Listing Rules, the Directors' duties and continuous obligations of Directors and the Environmental, Social and Governance Reporting Guide. The Company shall arrange suitable trainings for all Directors in order to develop and refresh their knowledge and skills as part of their continuous professional development from time to time. Each newly appointed Director will receive a comprehensive induction package covering the statutory and regulatory obligations of directors, policies, procedures and codes of the Company applicable to the Directors.

Board Meeting and general meeting

The Company adopts a practice to convene Board meetings regularly which is at least four meetings per year and roughly on a quarterly basis. A written notice of a regular Board meeting shall be delivered to all the Directors at least 14 days in advance with the matters to be discussed specified in agenda of the meeting.

For other Board and committee meetings, reasonable notice is generally served. Agendas or relevant documents of the Board or committee meetings shall be despatched to the Directors or members of the committees at least 3 days prior to the convening of the meetings to ensure that they have sufficient time to review the relevant documents and be adequately prepared for the meetings. If the Directors or committee members were unable to attend a meeting, they would be advised of the matters to be discussed and given an opportunity to express their views to the Chairman prior to the meeting. The minutes are kept by the joint company secretaries and the copies are circulated to all Directors for reference and recording purpose.

CORPORATE GOVERNANCE REPORT

The minutes of the Board meetings and the committee meetings thoroughly record all matters discussed and decisions made including any problems raised by the Directors. Draft minutes of each board meeting and committee meeting are sent to the Directors for comments within a reasonable time after the date of the meeting. Directors have a right to review the minutes of the Board meetings and the committee meetings.

According to code provision A.1.1 of the CG Code, board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the directors, either in person or through electronic means of communication.

In addition to Board meetings, the joint-chairmen shall also have informal regular meetings with other Directors, occasionally with independent non-executive Directors and without the presence of other executive Directors. The independent non-executive Directors will provide their independent views to the Board from time to time.

As the Company's shares were only listed on the Stock Exchange on 16 January 2020, only one Board meeting was held on 24 March 2020 to consider and approve the final results for the FY2019 of the Group. The Company will convene at least four regular board meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

DELEGATION BY THE BOARD AND BOARD COMMITTEES

The Company has five Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and Corporate Governance Committee and the IP Development Committee. Each of the Board committees operates under its specific written terms of reference. Sufficient resources, including the advice of the external auditor and independent professional advisers, are provided to the Board committees to enable them to discharge their duties. The terms of reference of the Board committees are available on the website of the Company and the Stock Exchange.

Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members comprising the three independent non-executive Directors, namely Ms. Cheung Siu Wan, Mr. Yu Longjun and Dr. Cheung Wah Keung. Ms. Cheung Siu Wan is the chairlady of the Audit Committee. The primary duties of the Audit Committee are to review and supervise financial reporting proccess risk management and internal control system in the Company, to provide an independent view on effectiveness of and oversee the audit process, and to fulfill other duties and responsibilities as assigned by the Board.

As the Company's shares were listed on the Stock Exchange on 16 January 2020, the Audit Committee did not hold any meetings during the FY2019. A meeting of the Audit Committee was held on 24 March 2020 to review the annual results of the Group for the FY2019.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Company has established a Nomination Committee with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of three members, comprising two independent non-executive Directors, namely Mr. Yu Longjun and Dr. Cheung Wah Keung and one executive Director, namely Mr. Lau Kam Yiu. Mr. Lau Kam Yiu is the chairman of the Nomination Committee.

The Nomination Committee is responsible for reviewing and assessing the composition of the Board and the independence of the independent non-executive Directors and making recommendations to the Board on appointment and removal of Directors. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit basis on objective criteria and the benefits and policy of diversity on the Board. Diversity of the Board will be considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a Director.

The Company will also take into account of the factors relating to its own business model and specific needs from time to time. The ultimate decision will be made based on merit and contribution that the selected candidates will bring to the Board.

As the Company's shares were listed on the Stock Exchange on 16 January 2020, the Nomination Committee did not hold any meetings during the FY2019. One meeting of the Nomination Committee was held on 24 March 2020 to review the composition of the Board; the independence of independent non-executive Directors and adopting a nomination policy.

Nomination Policy

According to the nomination policy adopted by the Board, in evaluating and selecting any candidate for directorship, the Nomination Committee would consider the criteria, including character and integrity, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy) (as defined below), any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity, and willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s).

The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as aforementioned to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship with a ranking of the candidates (if applicable) ordered in priority based on the needs of the Company and background check of each candidate.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") setting out the approach to achieve and maintain an appropriate balance of Board diversity that are relevant to the business growth of the Group.

The Nomination Committee is responsible for ensuring the diversity of the Board and considered Board diversity from a number of aspects, including but not limited to gender, age, cultural background, educational background, ethnicity, professional experience, skills, knowledge and length of service and other qualities relevant to the duties of the Directors that the Nomination Committee may consider relevant and applicable from time to time towards achieving a diversified Board. All Board appointments will be made based on meritocracy, and candidates will be considered on objective criteria, taking the benefits of diversity on the Board into full consideration. The Nomination Committee will also discuss and review the policy on Board diversity and the measurable objectives for implementing such policy from time to time adopted by the Board, and to review the progress on achieving these objectives

The Directors believe the Board has a balanced mix of experience, including marketing, management and business development, finance, auditing and accounting experiences. The education background of the Directors ranges from accountancy, business administration and engineering; and their education institutions ranges from Hong Kong and United States to Australia and the PRC. The Directors believe the Board has a well-balance of cultural background, educational background, industry experience and professional experience where members of the Board have diversified branch of learning and working experience in different countries and regions.

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee has three members, comprising two independent non-executive Directors, namely Ms. Cheung Siu Wan and Mr. Yu Longjun and one executive Director, Mr. Lau Kam Yiu. Ms. Cheung Siu Wan is the chairlady of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations to the Board on employee benefit arrangement.

During FY2019, a meeting of the Remuneration Committee was held on 19 December 2019 to review, among others, the terms of the service contracts and the appointment letters for executive Directors and independent non-executive Directors and to make recommendations to the Board.

Corporate Governance Committee

The Company has established a Corporate Governance Committee with written terms of reference. The Corporate Governance Committee has three members, comprising two independent non-executive Directors, namely Ms. Cheung Siu Wan, Dr. Cheung Wah Keung and one executive Director, Mr. Ng Bo Sing. Mr. Ng is the chairman of the Corporate Governance Committee. The primary functions of the Corporate Governance Committee is to introduce and propose relevant principles concerning corporate governance and to review and determine the corporate governance policy of the Group.

CORPORATE GOVERNANCE REPORT

As the Company's shares were listed on the Stock Exchange on 16 January 2020, the Corporate Governance Committee did not hold any meetings during the FY2019.

IP Development Committee

The Company has established an IP Development Committee with written terms of reference. The IP Development Committee has three members, comprising of two executive Directors, namely Mr. Ng and Mr. Lau and one independent non-executive Director, Mr. Yu Longjun. Mr. Lau Kam Yiu is the chairman of the IP Development Committee. The primary functions of the IP Development Committee is to receive information of potential investment or cooperation opportunity, to review and consider the potential investment or cooperation opportunity, to assess any potential conflict of interest during the investment or cooperation process and to assist in initial assessment and evaluation work.

As the Company's shares were listed on the Stock Exchange on 16 January 2020, the IP development Committee did not hold any meeting during the FY2019.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuer" (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors, the Group's senior management, and employees who are likely to be in possession of inside information in relation to the Group or the Company's securities due to their positions. Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the period from the Listing Date to the Latest Practicable Date. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the year under review.

PROCEDURE AND INTERNAL CONTROL FOR HANDLING OF INSIDE INFORMATION

The Company has adopted a policy on handling and dissemination of inside information (the "**Policy**") which sets out the procedures and internal controls for handling and dissemination of inside information in due course to prevent any individuals from privileged dealing position and to provide sufficient time for the market to determine the price of the listed securities of the Company with the latest available information. This Policy also provides guidelines to employees who are likely to be in possession of inside information to be equipped with proper safeguards machanism to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information. The inside information of the Company shall be disseminated through websites of the Stock Exchange and the Company, according to the requirements of the Listing Rules.

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING

Directors' Responsibility

The Directors are responsible for overseeing the preparation of the financial statements to give a true and fair view of the state of affairs of the Group and of the results and cashflow during the reporting period. In preparing the financial statements for the FY2019, the Directors of the Company have selected suitable accounting policies and applied them consistently, made judgments and estimated that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

External Auditor's Responsibility

The Auditor is Ernst & Young, Certified Public Accountants. A statement by the Independent Auditor about their reporting responsibilities is included in the Independent Auditor's Report on the Company's financial statements on pages 57 to 61.

The Auditor conducts full scope audit without any restrictions and has access to individual Directors (including Audit Committee members) and management of the Company after giving their opinions.

External Auditor's Remuneration

For the FY2019, the remuneration paid/payable to Ernst & Young for audit and non-audit services work conducted were approximately HK$1,180,000 and HK$10,000, respectively.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining sound risk management systems and effective internal control in order to safeguard the Group's assets and Shareholders' interests and reviewing the effectiveness of the Group's internal control and risk management systems on an annual basis so as to ensure current internal control and risk management system are adequate. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives which can only provide reasonable but indefinite assurance against material misstatement or loss.

The Company also has established an internal audit which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems, and reports their findings to the Board on, at least, an annual basis. The Company implements and strictly enforces procedures on inside information according to the relevant procedures stated under the Guidelines on Disclosure of Inside Information.

CORPORATE GOVERNANCE REPORT

The Group's internal control system includes a well-established organisational structure with clearly defined lines of responsibility and authority. The daily departmental operations are entrusted to individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the irregular Company strategies and policies. Each department is also required to keep the Board informed of the material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis so as to identify, evaluate and manage significant risks in due course.

During the FY2019, the Board has reviewed the effectiveness of the internal control and risk management systems of the Group to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions are adequate. The review was conducted through discussions with the management of the Company, its external and internal auditors and the assessment performed by the Audit Committee. The Board believes that the existing risk management and internal control systems are adequate and effective, in particular, for financial reporting and Listing Rules compliance as well as for resolving internal control defects (if any).

DIVIDEND POLICY

The dividend policy of the Company adopted by the Board on 24 March 2020 is set out as follows:

Payment of dividends by the Company is also subject to Cayman Companies Law and the memorandum and articles of association of the Company. The Board will review the dividend policy as appropriate from time to time. The declaration and payment of dividends shall be determined at the sole discretion of the Board. The Board shall also take into account the following factors when considering whether to propose dividends and determining the dividend amount:

1. the Group's actual and expected financial performance;
2. retained earnings and distributable reserves of the Company and each of the members of the Group;
3. the Group's working capital requirements, capital expenditure requirements and future expansion plans;
4. the Group's liquidity position;
5. contractual restrictions on the payment of dividends by the Company to the Shareholders or by the Company's subsidiaries to the Company;
6. taxation considerations;
7. general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
8. other factors that the Board deems relevant

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Shareholders Convening General Meetings

The Company was incorporated in the Cayman Islands. Pursuant to the Articles, general meetings shall also be convened on the written requisition of any one or more members of the Company dispatched to the principal office of the Company in Hong Kong or, (if the Company has no principle office, the written requisition shall be dispatched to the registered office) specifying the objects of the meeting and signed by the designator, provided that such designator shall hold not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company at the date of requisition dispatched. Such meeting should be held within two months after the deposit of such requisition.

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Under article 64 of the Articles, any one or more Shareholders holding date of the dispatched of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company may at all times have the right, to make written requisition to the Board or the company secretary any instant, to require the convening of an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the dispatched of such requisition. If the Board fails to proceed to convene such meeting within 21 days of dispatched, the petitioner can convene the meeting by himself (themselves), and all reasonable expenses incurred due to failure of the Board shall be reimbursed to the petitioners by the Company.

Procedures for shareholders to propose a person for election as a Director

If a shareholder wishes to propose a person for election as a new Director, the shareholder must submit a written notice (the "**Notice**") to the Company's branch share registrar in Hong Kong and the headquarters of the Company.

The Notice must state clearly the name, the contact information of the shareholder and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and signed by the shareholder concerned (other than the person to be proposed). The Notice must also be accompanied by a letter of consent (the "**Letter**") signed by the person proposed to be elected on his/her willingness to be elected as a Director.

The Company has published the above procedures relating to Shareholder's right to propose a person for election as a Director on the Company's website.

CORPORATE GOVERNANCE REPORT

Procedure for shareholders to putting Forward Proposals at General Meetings

To put forward proposals at general meetings of the Company, a Shareholder should lodge a written notice of his/her/its proposal (the "**Proposal**") with his/her/its detailed contact information at the principal place of business of the Company in Hong Kong, with a copy of the Proposal served to the Company's address in Hong Kong.

The request will be verified with the Company's share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires approval in an annual general meeting of the Company; and

(2) not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval in an extraordinary general meeting of the Company.

Enquiries to the Board

To forward any enquiries to the Board, Shareholders may send written enquiries to the Company's principal office in Hong Kong as follows:

Address: 11/F., Gold Union Commercial Building
No. 70-72 Connaught Road West
Hong Kong
Attention: Board of Directors/Company Secretary

The Company will not normally deal with verbal or anonymous enquiries.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles was conditionally adopted by the Board on 19 December 2019 and became effective on the Listing Date. A copy of the Articles is available on the website of the Company and the Stock Exchange. Since the Listing Date and up to the date of this annual report, there was no change in constitutional documents of the Company.

REPORT OF THE DIRECTORS

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on 27 February 2019 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The principal business activities of the Group are the provision of integrated marketing solutions that focus on (i) experiential marketing, (ii) digital and brand communication, and (iii) public relations services which mainly operated in Shanghai and Beijing with coverage in Greater China.

The activities and particulars of the Company's subsidiaries are shown under note 1 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

RESULTS

The consolidated annual results of the Group for the FY2019 are set out on pages 57 to 147 of this annual report.

DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the FY2019.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the FY2019 are set out on page 66 of this annual report.

DISTRIBUTABLE RESERVES

The Company had no retained profit available for distribution as at 31 December 2019.

BUSINESS REVIEW

A review and discussion of the Group's business during the year could be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognises that employees, suppliers, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close relationship with its employees, providing quality services to its clients and enhancing cooperation with its suppliers and business partners.

SHARE CAPITAL

Details of the movements in share capital of the Company during the FY2019 are set out in note 27 to the consolidated financial statements.

REPORT OF THE DIRECTORS

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Since the Shares were listed on the Stock Exchange on 16 January 2020, neither the Company nor any of its subsidiaries have purchased, sold or repurchase any of the Company's listed securities during the period from the Listing Date to the date of this annual report.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 28 May 2020 to Tuesday, 2 June 2020, both days inclusive and no share transfer will be effected during the period, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2020 annual general meeting. In order to be eligible to attend and vote at the 2020 annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on Wednesday, 27 May 2020.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and there was no material in non-compliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the FY2019 to be published in due course.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds (after deducting underwriting commission and other expenses arising from the IPO) from the Global Offering were approximately HK$345.0 million. With reference to the Prospectus, we intend to use the net proceeds for (1) approximately 55.9%, or RMB172.4 million (equivalent to approximately HK$192.8 million) to develop and expand the existing business of integrated marketing solutions and IP development; (2) approximately 34.2%, or RMB105.5 million (equivalent to approximately HK$118.0 million) as cash reserve for strategic investment funds for seeking suitable cooperation or investment opportunities which have strategic benefits to the Group; and (3) approximately 9.9%, or RMB30.6 million (equivalent to approximately HK$34.2 million) will be used for general replenishment of working capital and other general corporate purpose.

After the Listing Date, such net proceeds will be applied in accordance with the proposed application as disclosed in the prospectus dated 31 December 2019.

REPORT OF THE DIRECTORS

DIRECTORS

The Board currently consists of the following seven Directors:

Executive Directors

Mr. Lau Kam Yiu
Mr. Ng Bo Sing
Mr. Chan Wai Bun
Ms. Low Wei Mun

Independent non-executive Directors

Ms. Cheung Siu Wan
Mr. Yu Longjun
Dr. Cheung Wah Keung

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 26 to 30 in the section headed "Profile of Directors and Senior Management" to this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Except the disclosed, no transactions, arrangements and contracts of significance in relation to the Group's business, to which the Company or its subsidiaries was a party and in which a Director or his or her connected entity has or had a material beneficial interest, whether directly or indirectly, subsisted at 31 December 2019 or at any time during FY2019.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company, under which they agreed to act as executive Directors for an initial term of three years commencing from 19 December 2019, which may be terminated by not less than three months' written notice in writing served by either of the Director or the Company.

Each of the independent non-executive Directors has signed an appointment letter with the Company for an initial term of three years commencing from 19 December 2019, the tenure may be terminated by not less than three months' written notice in writing served by either of the Director or the Company. Under the respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee.

The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles. None of the Directors has entered a service contract with members of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

CONTRACTS OF SIGNIFICANCE AND RELATED PARTY TRANSACTIONS

Saved as disclosed in the section headed "Material Related Party Transactions" in note 31 to the consolidated financial statements contained in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the controlling shareholders or any of its subsidiaries during the FY2019 or at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries was entered into during the FY2019 or at the end of the year.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Except the disclosed in the section headed "Material Related Party Transactions" in note 31 to the consolidated financial statements contained in this annual report, no transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the FY2019.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, taking into account the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' remuneration and remuneration of the five highest paid individual in the Group are set out in notes 8 and 9 to the consolidated financial statements of this annual report.

For the FY2019, no remuneration was paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived or agreed to waive any remuneration for the FY2019.

Except as disclosed above, no other payments have been made or are payable, for the FY2019, by our Group to or on behalf of any of the Directors.

NON-COMPETE UNDERTAKING

The Board considers that there should be a clear border between the Group business and non-Group business after Group reorganisation. Each of Mr. Ng, NBS Holdings, Activation Investment, Mr. Lau, Dashing Fortune and Aurora Activation (the "**Covenantors**"), being the Controlling Shareholders, has all entered into a non-compete undertaking in favour of the Company (the "**Non-Compete Undertaking**") on 19 December 2019, pursuant to which each of Mr. Ng, NBS Holdings, Activation Investment, Mr. Lau, Dashing Fortune and Aurora Activation has irrevocably and unconditionally undertaken that each of them shall and shall procure their respective close associates not to, directly or indirectly, engage in any business which is or may be in competition with the business of any member of the Group from time to time.

REPORT OF THE DIRECTORS

Each of the Covenantors has confirmed in writing to the Company of his/its compliance with the Non-Compete Undertaking for disclosure in this report during the period from the Listing Date to the date of this annual report.

The independent non-executive Directors have reviewed the Non-Compete Undertaking and confirmed that no Covenantor had beached the Non-Compete Undertaking during the period from the Listing Date to the date of this annual report.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO CHAPTER 13 OF THE LISTING RULES

On 2 September 2019, the Company entered into a loan agreement with an independent third party (as supplemented by the supplemental agreement dated 23 October 2019 entered into among the same parties) for a term loan facility of up to HK$60 million. Pursuant to the loan agreement, the Company has undertaken to the lender that each of Activation Investment and Aurora Activation shall at all times hold not less than 14% and 18% of all the issued share capital of the Company (save and except as a result of the implementation of the stock borrowing agreement). A breach of such undertaking will constitute an event of default under the loan agreement and all amounts due or owing by the Company will become immediately due and payable to the lender. The loan was subsequently repaid by the Company in February 2020.

Except the disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.13 to 13.22 of the Listing Rules.

MANAGEMENT CONTRACTS

Except the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or at the end of the year or at any time during the FY2019.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as set out below, the Company has not entered into any equity-linked agreement in FY2019.

MATERIAL LEGAL PROCEEDINGS

Except the disclosed in the Prospectus, the Group was not involved in any material legal proceeding during the FY2019.

LOAN AND GUARANTEE

During the FY2019, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the Controlling Shareholders or their respective connected persons.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SECURITIES AND UNDERLYING SHARES

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Capacity/Nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding
Mr. Ng	Interest of a controlled corporation *(Note 2)*	117,669,156 Shares (L)	14.71%
Mr. Lau	Interest of a controlled corporation *(Note 3)*	154,413,522 Shares (L)	19.30%
Ms. Low	Interest of a controlled corporation *(Note 4)*	42,929,466 Shares (L)	5.37%

Notes:

1. The letter "L" denotes our Directors' long position in the shares of our Company or the relevant associated corporation.

2. These 117,669,156 Shares are held by Activation Investment, which is ultimately controlled by Mr. Ng through NBS Holdings. Under the SFO, Mr. Ng is deemed to be interested in the Shares held by Activation Investment.

3. These 154,413,522 Shares are held by Aurora Activation, which is ultimately controlled by Mr. Lau through Dashing Fortune. Under the SFO, Mr. Lau is deemed to be interested in the Shares held by Aurora Activation.

4. These 42,929,466 Shares are held by Activation One, which is ultimately controlled by Ms. Low through Step Mind Enterprises Limited. Under the SFO, Ms. Low is deemed to be interested in the Shares held by Activation One.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

The shares of the Company was only listed on the main Board of the Stock Exchange on 16 January 2020. To the best knowledge and belief of the Directors, as at the Latest Practicable Date, the following persons have interests or short positions in Shares or underlying Shares which will be required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholders	Capacity/nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding
Activation Investment	Beneficial owner *(Note 2)*	117,669,156 Shares (L)	14.71%
NBS Holdings	Interest of a controlled corporation *(Note 2)*	117,669,156 Shares (L)	14.71%
Chung Wing Ting（鍾穎婷）	Interest of spouse *(Note 3)*	117,669,156 Shares (L)	14.71%
Aurora Activation	Beneficial owner *(Note 4)*	154,413,522 Shares (L)	19.30%
Dashing Fortune	Interest of a controlled corporation *(Note 4)*	154,413,522 Shares (L)	19.30%
Li Meixuan（李美璇）	Interest of spouse *(Note 5)*	154,413,522 Shares (L)	19.30%
Brightly Sky	Beneficial owner *(Note 6)*	169,430,994 Shares (L)	21.18%
ACT Partners	Interest of a controlled corporation *(Note 6)*	169,430,994 Shares (L)	21.18%
ACT Holdings	Interest of a controlled corporation *(Note 6)*	169,430,994 Shares (L)	21.18%

REPORT OF THE DIRECTORS

Name of Shareholders	Capacity/nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding
Acheson Limited	Trustee *(Note 6)*	169,430,994 Shares (L)	21.18%
Aide Zhongxin	Beneficial owner	61,014,906 Shares (L)	7.63%
Activation One	Beneficial owner *(Note 7)*	42,929,466 Shares (L)	5.37%
Step Mind Enterprises Limited	Interest of a controlled corporation *(Note 7)*	42,929,466 Shares (L)	5.37%

Notes:

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

2. These 117,669,156 Shares are held by Activation Investment, which is wholly owned by NBS Holdings. Under the SFO, NBS Holdings is deemed to be interested in the Shares held by Activation Investment.

3. Ms. Chung Wing Ting is the spouse of Mr. Ng. Under the SFO, Ms. Chung Wing Ting is deemed to be interested in the same number of Shares which Mr. Ng is interested in.

4. These 154,413,522 Shares are held by Aurora Activation, which is wholly owned by Dashing Fortune. Under the SFO, Dashing Fortune is deemed to be interested in the Shares held by Aurora Activation.

5. Ms. Li Meixuan is the spouse of Mr. Lau. Under the SFO, Ms. Li Meixuan is deemed to be interested in the same number of Shares which Mr. Lau is interested in.

6. These 169,430,994 Shares are held by Brightly Sky, which is wholly owned by ACT Partners. ACT Partners is owned as to approximately 45.74% by ACT Holdings. ACT Holdings is held under a trust for the benefit of the executive Directors, senior management and other key personnel of the Group pursuant to awards to be granted by the Company at the discretion of the Board from time to time. Acheson Limited is the trustee of the trust. Under the SFO, ACT Partners, ACT Holdings and Acheson Limited are deemed to be interested in the Shares held by Brightly Sky.

7. These 42,929,466 Shares are held by Activation One, which is wholly owned by Step Mind Enterprises Limited. By virtue of the SFO, Step Mind Enterprises Limited is deemed to be interested in the Shares held by Activation One.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

A share option scheme was adopted by the written resolutions of the Shareholders passed on 19 December 2019 (the "**Share Option Scheme**"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules. Since the date of adoption to the Listing Date, no share option was granted, exercised, outstanding, cancelled or lapsed under the Share Option Scheme. Summary of the principal terms of the Share Option Scheme are as follows:

(a) Purpose of the Share Option Scheme

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivating the Eligible Participants to optimise their performance and efficiency for the benefit of the Group; and

(ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long term growth of the Group.

(b) Participant of the Share Option Scheme

The Board may, at its discretion, grant the share option to the following persons (the "**Eligible Participants**") to subscribe the number of Shares which may determined by the Board at an exercise price determined in accordance with paragraph (c):

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries;

(iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and

(iv) Others who, will contribute or have contributed to the Group and been recognized by the whole Board. The assessment criteria of which are:

(a) contribution to the development and performance of the Group;

(b) quality of work performed for the Group;

(c) initiative and commitment in performing his/her duties; and

(d) length of service or contribution to the Group.

REPORT OF THE DIRECTORS

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be the price determined by the Board in its absolute discretion, save that the price will not be less than the highest of follows:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the closing prices of the Shares for the five business days immediately preceding the date of grant; and

(iii) the nominal value of the Shares.

(d) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within twenty-one days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

(e) Maximum number of Shares of the Company available for issue

The total number of Shares available for issue under the Share Option Scheme is 80,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.

(f) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

(g) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(h) Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on 19 December 2019, subject to early termination provisions contained in the Share Option Scheme.

REPORT OF THE DIRECTORS

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

During the FY2019, none of the Company, or any of its subsidiaries, was a party to any arrangement which enables the Directors to have any right to subscribe for securities of the Company or other body corporate to or debentures to acquire benefits.

MAJOR CLIENTS AND SUPPLIERS

During the year ended 31 December 2019, the aggregate sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total sales and the aggregate purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

None of the Directors or any of their close associates or any Shareholders (who owns more than 5% of the Company's issued share capital acknowledged by the Directors) has any interest in the Group's five largest suppliers or the Group's five largest customers.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders of the Company by reason of their holding of the Company's securities.

HUMAN RESOURCES

As at 31 December 2019, the Group had 343 employees, 22 of which are headquarter staff, 138 employees were responsible for experiential marketing, 109 employees were responsible for digital marketing, 28 employees were responsible for media public relations, 30 employees were responsible for IP activation, and 16 employees were responsible for administrative support. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Group's employees includes basic salaries, allowances, bonus, share options and other employee benefits, which is determined with reference to their experience, qualifications and general market conditions. The remuneration policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. We provide regular training to our employees in order to improve their skills and knowledge. The training courses range from further educational studies to professional training.

RETIREMENT BENEFITS SCHEME

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the FY2019 are set out in note 31 to the consolidated financial statements contained herein.

None of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) in relation to the director's and officer's liability insurance is currently in force. The Company has taken out the appropriate Directors' and officers' liability insurance policy for the Directors and officers of the Group as a means of security during FY2019.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during FY2019.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the CG Code as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the period from the Listing Date to the Latest Practicable Date except the Code Provision A.2.1 for the roles of the chairman and the chief executive officer of the Company have to be separated as required by of the Corporate Governance Code. As at the Latest Practicable Date, Mr. Lau, the executive Director, has served as the joint-chairmen of the Company and the chief executive officer of the Company.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance.

REPORT OF THE DIRECTORS

DIVIDEND POLICY

The Company will evaluate its distribution policy and distributions made in any particular year in light of its financial position, the prevailing economic climate, expectations about the future macroeconomic environment and business performance.

The determination to make distributions will be made at the sole discretion of the Board after consideration of the Company's operations and earnings, development pipeline, cash flow, financial position, capital and other reserve requirements and surplus and any other conditions or factors which the Board deems relevant.

The dividend policy of the Company adopted by the Board on 24 March 2020 is set out as follows:

Payment of dividends by the Company is also subject to any restrictions under the Companies Law of Cayman Islands and the memorandum and articles of association of the Company. The Board will review the dividend policy as appropriate from time to time. The declaration and payment of dividends shall be determined at the sole discretion of the Board. The Board shall also take into account the following factors when considering whether to propose dividends and determining the dividend amount:

1. the Group's actual and expected financial performance;

2. retained earnings and distributable reserves of the Company and each of the members of the Group;

3. the Group's working capital requirements, capital expenditure requirements and future expansion plans;

4. the Group's liquidity position;

5. contractual restrictions on the payment of dividends by the Company to the Shareholders or by the Company's subsidiaries to the Company;

6. taxation considerations;

7. general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

8. other factors that the Board deems relevant.

REPORT OF THE DIRECTORS

AUDITOR

The Shares were only listed on the Stock Exchange on 16 January 2020, and there has been no change in auditors since the Listing Date. The consolidated financial statements for the FY2019 have been audited by Ernst & Young, Certified Public Accountants. Ernst & Young shall retire in accordance with the Articles and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

CHARITABLE DONATIONS

During FY2019, the Group had not made any charitable donations.

COMPLIANCE WITH LAWS AND REGULATIONS

Except as disclosed in the Prospectus, for the FY2019, the Company is in material compliance with the relevant laws and regulations that have a significant impact on the Group.

On behalf of the Board

Lau Kam Yiu
Joint-Chairman

Hong Kong, 24 March 2020

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Activation Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Activation Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 62 to 147, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Expected credit losses ("ECLs") for trade receivables	
As at 31 December 2019, the Group recorded trade receivables of RMB172,526,000 before a loss allowance of RMB2,204,000, representing approximately 48.0% of the total assets of the Group. The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. Significant management judgement and estimation are required in assessing the ECLs for the trade receivables, with reference to the groupings of various customer segments, ageing profile of the trade receivables, historical credit loss experience and both the current and forecast general economic conditions at the reporting date. The related disclosures are included in notes 3 and 19 to the consolidated financial statements.	In evaluating management's impairment assessment, our audit procedures included understanding and assessing the Group's policy on determining the loss allowance in accordance with the requirements of HKFRS 9 *Financial Instruments*, including an evaluation of management's judgements on (i) the level of disaggregation of categories for collective assessment; and (ii) the use of available credit risk information, including historical and forward-looking information. We reviewed management's assumptions used to determine the ECLs through testing of the underlying information on the ageing reports generated by the Group's financial reporting system and assessing the repayment history of the debtors as well as forward-looking factors with reference to the related publicly available information. We also assessed the related disclosures in the consolidated financial statements.
Impairment assessment of goodwill	
As at 31 December 2019, the Group had goodwill acquired through business combinations allocated to the experiential marketing cash-generating unit ("CGU") and the digital and brand communication CGU of the Group with carrying amounts of RMB8,803,000 and RMB1,430,000, respectively. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.	We evaluated management's impairment assessment of goodwill. The key audit procedures we performed on evaluating the methodologies, assumptions and estimates used in the impairment assessment included the following: • we assessed the key assumptions used in management's cash flow projections, including, among others, budgeted/forecasted revenue and results of operations, long term growth rates and discount rates applicable to the respective CGUs, taking into consideration the historical accuracy of the prior year's assumptions and estimates made by management;

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill (continued)	
Impairment is determined by assessing the recoverable amounts of the respective CGUs to which the goodwill relates and whether the recoverable amounts of the respective CGUs are less than the carrying amounts. For the year under review, the recoverable amounts of the respective CGUs have been determined based on value in use calculations using cash flow projections specific to each CGU and applying a discount rate which reflects specific risks relating to the CGU. The impairment testing of goodwill required management to make certain assumptions and estimates that would affect the reported amount of goodwill and related disclosures in the consolidated financial statements. It is identified as a key audit matter due to the magnitude of the balance involved and the significant management estimation required on the expected future developments of the CGUs. The Group's disclosures of estimation uncertainty and impairment assessment of goodwill are included in notes 3 and 15, respectively, to the consolidated financial statements.	• we obtained an understanding of the current and expected future developments of the CGUs and factors that might affect key assumptions and estimates of the cash flow projections and discount rates applicable to the respective CGUs; • we involved our internal valuation specialists to assist us in evaluating the methodologies used and certain key assumptions and estimates made by management, including, among others, the specific discount rates and long term growth rates, with reference to the relevant historical/market information; • we evaluated management's assessment about reasonable possible changes in the relevant key assumptions and estimates; and • we evaluated the adequacy of the related disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises 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.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made 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.

As part of an audit in accordance with HKSAs, we exercise professional judgement 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.

INDEPENDENT AUDITOR'S REPORT

- 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.

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 Wong Yat Kin.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

24 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
REVENUE	5	**661,774**	684,335
Cost of sales		**(463,646)**	(511,929)
Gross profit		**198,128**	172,406
Other income and gains	5	**19,142**	6,831
Selling and distribution expenses		**(76,881)**	(66,197)
General and administrative expenses		**(68,206)**	(42,550)
Other expenses, net		**(404)**	(2,884)
Finance costs	7	**(4,515)**	(968)
Share of profits and losses of associates		**(398)**	(1,378)
PROFIT BEFORE TAX	6	**66,866**	65,260
Income tax expense	10	**(25,995)**	(21,743)
PROFIT FOR THE YEAR		**40,871**	43,517
Attributable to:			
Owners of the parent		**29,969**	37,114
Non-controlling interests		**10,902**	6,403
		40,871	43,517
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted *(RMB cents)*		**4.99**	6.19

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**40,871**	43,517
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**1,520**	2,831
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**42,391**	46,348
Attributable to:		
Owners of the parent	**31,489**	39,945
Non-controlling interests	**10,902**	6,403
	42,391	46,348

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,873**	1,865
Right-of-use assets	14	**16,569**	10,057
Goodwill	15	**10,233**	10,233
Intangible assets	16	**268**	232
Investments in associates	17	**5,512**	6,524
Investments in entertainment projects	18	**—**	283
Deferred tax assets	26	**551**	2,434
Total non-current assets		**35,006**	31,628
CURRENT ASSETS			
Investments in entertainment projects	18	**1,594**	6,917
Trade receivables	19	**170,322**	258,647
Prepayments, deposits and other receivables	20	**14,324**	19,525
Pledged bank deposits	22	**8,940**	—
Cash and cash equivalents	22	**129,493**	88,397
Total current assets		**324,673**	373,486
CURRENT LIABILITIES			
Trade payables	23	**149,673**	163,073
Other payables and accruals	24	**33,547**	55,910
Interest-bearing bank and other borrowings	25	**74,813**	19,000
Lease liabilities	14	**4,175**	1,651
Tax payable		**11,975**	13,234
Total current liabilities		**274,183**	252,868
NET CURRENT ASSETS		**50,490**	120,618
TOTAL ASSETS LESS CURRENT LIABILITIES		**85,496**	152,246
NON-CURRENT LIABILITIES			
Lease liabilities	14	**13,257**	9,394
Deferred tax liabilities	26	**210**	250
Total non-current liabilities		**13,467**	9,644
Net assets		**72,029**	142,602

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	27	**88**	—
Reserves	29	**59,804**	121,126
		59,892	121,126
Non-controlling interests		**12,137**	21,476
Total equity		**72,029**	142,602

Lau Kam Yiu
Director

Ng Bo Sing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Notes	Issued capital RMB'000 (note 27)	Other reserve RMB'000 (note 29)	Capital reserve RMB'000 (note 29)	Statutory reserve RMB'000 (note 29)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent								
At 1 January 2018		–	36,514	14,023	13,310	(4,502)	55,380	114,725	21,529	136,254
Profit for the year		–	–	–	–	–	37,114	37,114	6,403	43,517
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	2,831	–	2,831	–	2,831
Total comprehensive income for the year		–	–	–	–	2,831	37,114	39,945	6,403	46,348
Dividends declared by a subsidiary to the then shareholders	11	–	–	–	–	–	(33,544)	(33,544)	–	(33,544)
Dividends declared by a subsidiary to non-controlling shareholders		–	–	–	–	–	–	–	(6,456)	(6,456)
Transfer from retained profits		–	–	–	4,250	–	(4,250)	–	–	–
At 31 December 2018 and at 1 January 2019		**–**	**36,514***	**14,023***	**17,560***	**(1,671)***	**54,700***	**121,126**	**21,476**	**142,602**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**29,969**	**29,969**	**10,902**	**40,871**
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**1,520**	**–**	**1,520**	**–**	**1,520**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**1,520**	**29,969**	**31,489**	**10,902**	**42,391**
Transfer from retained profits		**–**	**–**	**–**	**5,218**	**–**	**(5,218)**	**–**	**–**	**–**
Issue of shares		**88**	**–**	**–**	**–**	**–**	**–**	**88**	**–**	**88**
Acquisition of non-controlling interest	2.1	**–**	**(59,267)**	**–**	**–**	**–**	**–**	**(59,267)**	**(13,185)**	**(72,452)**
Dividends declared by a subsidiary to the then shareholders	11	**–**	**–**	**–**	**–**	**–**	**(33,544)**	**(33,544)**	**–**	**(33,544)**
Dividends declared by subsidiaries to non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(7,056)**	**(7,056)**
At 31 December 2019		**88**	**(22,753)***	**14,023***	**22,778***	**(151)***	**45,907***	**59,892**	**12,137**	**72,029**

* These reserve accounts comprise the consolidated reserves of RMB59,804,000 (2018: RMB121,126,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**66,866**	65,260
Adjustments for:			
Finance costs	7	**4,515**	968
Share of profits and losses of associates		**398**	1,378
Interest income	5	**(606)**	(186)
Depreciation of property, plant and equipment	6	**860**	853
Depreciation of right-of-use assets	6	**3,355**	2,921
Gain on termination of operating leases	5	**(1,144)**	—
Amortisation of intangible assets	6	**127**	117
Impairment of trade receivables	6	**786**	1,180
Loss/(gain) on disposal of investments in associates	6	**(586)**	433
Fair value gains on investments in entertainment projects	6	**(704)**	(288)
Write-off of other receivables	6	**—**	269
Reversal of impairment of other receivables	6	**(1,300)**	—
		72,567	72,905
Decrease/(increase) in trade receivables		**87,539**	(71,760)
Decrease in prepayments, deposits and other receivables		**6,501**	6,091
Decrease in amounts due from a shareholder		**—**	17,429
Increase/(decrease) in trade payables		**(13,400)**	48,412
Increase/(decrease) in other payables and accruals		**(22,363)**	7,814
Cash generated from operations		**130,844**	80,891
Taxes paid		**(25,411)**	(22,494)
Net cash flows from operating activities		**105,433**	58,397
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**606**	186
Purchases of items of property, plant and equipment		**(874)**	(1,071)
Purchases of intangible assets		**(163)**	(52)
Settlement of/(investment in) entertainment projects, net		**6,310**	(3,954)
Proceeds from disposal of an associate		**1,200**	—
Increase in pledged bank deposits		**(8,940)**	—
Net cash flows used in investing activities		**(1,861)**	(4,891)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2019

	Notes	**2019**	2018
		RMB'000	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(3,328)**	(357)
Dividends paid		**(40,600)**	(54,092)
New bank and other loans		**74,813**	39,000
Repayment of bank loans		**(19,000)**	(20,000)
Acquisition of a non-controlling interest		**(72,452)**	—
Issue of shares	*27*	**88**	—
Principal portion of lease payments	*14*	**(2,376)**	(2,678)
Interest portion of lease payments		**(1,187)**	(611)
Net cash flows used in financing activities		**(64,042)**	(38,738)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**39,530**	14,768
Cash and cash equivalents at beginning of year		**88,397**	70,811
Effect of foreign exchange rate changes, net		**1,566**	2,818
CASH AND CASH EQUIVALENTS AT END OF YEAR		**129,493**	88,397
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**129,493**	87,509
Non-pledged time deposits with original maturity of less than three months when acquired		**—**	888
Cash and cash equivalents as stated in the statement of cash flows		**129,493**	88,397

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

1. CORPORATE AND GROUP INFORMATION

Activation Group Holdings Limited is a limited liability company incorporated in the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at 8/F, No. 399A Liu Zhou Road, Xu Hui District, Shanghai, the People's Republic of China (the "PRC"). The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 January 2020 (the "Listing").

The Company is an investment holding company. During the year ended 31 December 2019, the Company's subsidiaries were involved in the following principal activities:

- provision of integrated marketing solutions;
- management and operation of sports events; and
- Investments in entertainment projects.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	*Indirect*	
Activation Enterprise Limited	British Virgin Islands	United States dollar ("US$") 1	100	—	Investment holding
Activation International Limited ("Activation International")	Hong Kong	HK$20,000	—	100	Investment holding
Shanghai Aideweixuan Group Co., Limited ("Activation Group") 上海艾德韋宣股份有限公司 *(notes (i), (ii))**	PRC/ Mainland China	RMB50,000,000	—	93.0	Provision of experiential marketing services
Activation Events (HK) Limited	Hong Kong	HK$6,001,000	—	93.0	Provision of experiential marketing services
Activation Events (Singapore) Pte. Ltd. *(note (i))*	Singapore	SGD10,000	—	93.0	Provision of experiential marketing services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company *Direct*	*Indirect*	Principal activities
Activation Marketing Solution Limited	Hong Kong	HK$1,000	—	93.0	Inactive
Activation VIA Limited	Hong Kong	HK$1,000	—	93.0	Inactive
Beijing Anweixun Business Consulting Co., Limited ("Activation Events BJ") 北京安維訊商務諮詢有限公司 *(notes (i), (iii))**	PRC/ Mainland China	RMB10,000,000	—	93.0	Provision of experiential marketing service
Shanghai Aideweixuan Advertising Co., Limited 上海艾德韋宣廣告有限公司 *(notes (i), (iii))**	PRC/ Mainland China	RMB10,000,000	—	93.0	Investment holding
Shanghai Aideweixuan Culture Communication Co., Limited 上海艾德韋宣文化傳播有限公司 *(notes (i), (iii))**	PRC/ Mainland China	RMB60,000,000	—	93.0	Entertainment marketing and program
Shanghai Aideweixuan Digital Technology Co., Limited 上海艾德韋宣數碼科技有限公司 *(notes (i), (iii))**	PRC/ Mainland China	RMB2,000,000	—	65.1	Provision of digital and brand communication services
Shanghai Aideweixuan Planning Co., Limited 上海艾德韋宣策劃有限公司 *(notes (i), (iii))**	PRC/ Mainland China	RMB10,000,000	—	93.0	Inactive
Shanghai Aideweixuan Sports Development Co., Limited 上海艾德韋宣體育發展有限公司 *(notes (i), (iii))**	PRC/ Mainland China	RMB5,000,000	—	74.4	Management and operation of sports events

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company *Direct*	*Indirect*	Principal activities
Shanghai Aideweixuan Sports Management Co., Limited 上海艾德韋宣體育管理有限公司 *(notes (i), (iii))**	PRC/ Mainland China	RMB6,660,000	—	83.8	Management and operation of sports events
Shanghai Aidi Linjie Cultural Development Co., Limited 上海艾迪霖杰文化發展有限公司 *(notes (i), (iii))**	PRC/ Mainland China	RMB1,000,000	—	93.0	Provision of public relations services
Shanghai Aiwei Culture Communication Co., Limited 上海艾未文化傳播有限公司 *(notes (i), (iii))**	PRC/ Mainland China	RMB10,000,000	—	93.0	Inactive
Shanghai Boming Enterprise Image Planning Co., Limited ("Activation Project 23") 上海帛銘企業形象策劃有限公司 *(notes (i), (iii))**	PRC/Mainland China	RMB833,300	—	55.8	Provision of experiential marketing service
Shanghai Fansi Advertising Co., Limited ("Activation Digital") 上海范思廣告有限公司 *(notes (i), (iii))**	PRC/ Mainland China	RMB5,000,000	—	93.0	Provision of digital and brand communication services

* The English names of these entities registered in the PRC represent the best efforts made by management of the Company to directly translate their Chinese names as they do not register any official English names.

Notes:

(i) Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

(ii) Joint stock limited company established in the PRC

(iii) Limited liability companies established in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.1 REORGANISATION AND BASIS OF PRESENTATION

Pursuant to the reorganisation of the Group in connection with the Listing (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 22 July 2019. The Reorganisation mainly involved the incorporation of the Company, inserting new holding entities at the top of an existing group and the transfer of equity interests in the Activation Group from certain then shareholders of the Activation Group (collectively, the "Relevant Shareholders") to the Company. The Reorganisation has not resulted in any changes of economic substance of the businesses of the Activation Group and its subsidiaries before and after the Reorganisation.

Accordingly, these financial statements have been presented as a continuation of the Activation Group and its subsidiaries by applying the pooling of interests method as if the Reorganisation had been completed at the beginning of the earliest period presented. Details of the Reorganisation are set out in the paragraphs headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 31 December 2019 (the "Prospectus").

As part of the Reorganisation, Activation International entered into an equity transfer agreement (the "Agreement") with one of the then shareholders of Activation Group (the "Shareholder") on 26 July 2019. Pursuant to the Agreement, the Group acquired 9.14% equity interest in Activation Group from the Shareholder at a cash consideration of approximately RMB72,452,000 (the "Acquisition"). As a result of the Acquisition, the Group recognised a decrease of RMB59,267,000 in the Group's other reserve and a decrease of RMB13,185,000 in non-controlling interests.

The consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year ended 31 December 2019 are prepared as if the current group structure had been in existence from the earliest date presented. The consolidated statement of financial position of the Group as at 31 December 2019 has been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries held by parties other than the Relevant Shareholders, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the pooling of interests method.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investments in entertainment projects which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.2 BASIS OF PREPARATION *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (a) the fair value of the consideration received, (b) the fair value of any investment retained and (c) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits/accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

All new and revised HKFRSs effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provisions, had been adopted/early adopted by the Group.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Business combinations and goodwill

Business combinations other than acquisition of subsidiaries under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

The Group measures certain of its financial assets at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 33⅓%
Furniture, fixtures and equipment	33⅓%
Computer equipment	33⅓%
Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software is amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(b) Lease liabilities (Continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets of the Group are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue from contracts with customers" below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets at fair value through profit or loss *(Continued)*

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities of the Group are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement of financial liabilities at amortised costs (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Integrated marketing solutions

The Group's integrated marketing solutions mainly comprise experiential marketing services, digital and communication services and public relations services whereby the Group designs, organises and manages the projects so that customers achieve a significant brand building and promotional effect to mass public or targeted recipients.

As the Group takes primary responsibility for integrated marketing solutions, including the management and coordination of the parties involved in the project, devising detailed work plans and overseeing the overall marketing results to the satisfaction of the customers, it considers itself as a principal in such arrangements. Accordingly, revenue is recognised on a gross basis, which is the amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring the promised service to customers.

(a) *Experiential marketing services*

The Group provides marketing solutions for customers' events or exhibitions and recognises revenue from experiential marketing services net of discounts at the point in time when the event is held. Customers are required to pay a portion of the agreed fee in advance before commencement of the event, and these advance receipts are recognised as contract liabilities on the statement of financial position from the point at which they become due.

(b) *Digital and communication services*

The Group provides marketing activities that use digital technology for advertisement placement and customer relationship management. The digital and communication services mainly include (i) designing the user interface and setting up various functions of the clients' digital page on various social media and digital platforms; (ii) placing on-line advertisements and carrying out digital promotional campaigns; and (iii) providing value-added services such as big-data analysis, precise advertisement placing, and statistical analysis on visits, clicks and views to measure ultimate consumer preferences. The Group receives fixed amounts over the contract period and recognises the revenue over the contract period.

(c) *Public relations services*

The Group provides public relations services which involve marketing activities that help the customers promote communication and understanding with consumers. Revenue from public relations services is typically derived from retainer fees and the fees for the services to be performed subject to specific agreement. The Group has a stand-ready obligation to perform the services on an ongoing basis over the contract period and as the scope of the arrangements is broad and generally not reconcilable to another input or output criterion, the revenue is recognised over time using a time-based method, resulting in straight-line revenue recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

IP Activation

(a) Sports and entertainment services

The Group has obtained the exclusive rights to use third-party owned brands to generate revenue through organising, promoting and running events/activities. As the Group takes primary responsibility for organising, promoting and running the events/activities, it considers itself as a principal in such arrangements. Accordingly, revenue is recognised at the point in time when the event/activity is completed, and on a gross basis, which is the amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring the promised service to customers.

Other income

Management service income is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the entity's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Principal versus agent considerations

When another party is involved in providing services to customers of the Group, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customers. The Group is a principal and records revenue on a gross basis if it controls the promised services before transferring them to the customer. However, if the Group's role is only to arrange for another entity to provide the services, then the Group is an agent and will need to record revenue at the net amount that it retains for its agency services. The Group controls the services when it has the ability to direct the use of, and obtain substantially all the remaining benefits from, the services. This includes the ability to prevent others from directing the use or obtaining the benefits of the services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are included in note 15 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets with finite useful lives are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments as follows:

(a) Integrated marketing solutions segment

(b) IP development segment

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that unallocated gains, finance costs and corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, right-of-use assets, pledged bank deposits and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, dividend payables, tax payable, lease liabilities, deferred tax liabilities and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2019/At 31 December 2019

	Integrated marketing solutions *RMB'000*	IP development *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*			
Sales to external customers	616,563	45,211	661,774
Segment results	90,844	9,308	100,152
Reconciliation:			
Corporate and other unallocated expenses, net			(28,771)
Finance costs			(4,515)
Profit before tax			66,866
Segment assets	291,378	40,937	332,315
Reconciliation:			
Corporate and other unallocated assets			27,364
Total assets			359,679
Segment liabilities	138,866	28,142	167,008
Reconciliation:			
Corporate and other unallocated liabilities			120,642
Total liabilities			287,650
Other segment information			
Depreciation and amortisation	975	12	987
Impairment of trade receivables	784	2	786
Capital expenditure*	1,037	—	1,037

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2018/At 31 December 2018

	Integrated marketing solutions *RMB'000*	IP development *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*			
Sales to external customers	645,931	38,404	684,335
Segment results	78,655	(9,880)	68,775
Reconciliation:			
Corporate and other unallocated expenses, net			(2,547)
Finance costs			(968)
Profit before tax			65,260
Segment assets	349,333	42,881	392,214
Reconciliation:			
Corporate and other unallocated assets			12,900
Total assets			405,114
Segment liabilities	158,115	43,305	201,420
Reconciliation:			
Corporate and other unallocated liabilities			61,092
Total liabilities			262,512
Other segment information			
Depreciation and amortisation	964	6	970
Impairment of trade receivables	1,174	6	1,180
Capital expenditure*	1,123	—	1,123

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2019	2018
	RMB'000	*RMB'000*
Mainland China	**626,915**	605,413
Hong Kong/Singapore	**34,859**	78,922
	661,774	684,335

The revenue information above is based on the locations where the underlying services were rendered.

(b) Non-current assets

	2019	2018
	RMB'000	*RMB'000*
Mainland China	**12,374**	12,842
Hong Kong/Singapore	**5,512**	6,295
	17,886	19,137

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets and right-of-use assets.

Information about major customer

Revenue derived from sales to an external customer by the integrated marketing solutions segment contributing over 10% of the total revenue of the Group for the years ended 31 December 2019 and 2018 is as follows:

	2019	2018
	RMB'000	*RMB'000*
Customer	**73,593**	N/A*

Revenue from this customer includes sales to a group of entities which are known to be under common control with this customer.

* *Less than 10% of the total revenue of the Group*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

5. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Major service lines		
Integrated marketing solutions		
Experiential marketing services	**470,843**	514,721
Digital and brand communication services	**110,470**	108,204
Public relations services	**35,250**	23,006
	616,563	645,931
IP development		
Sports and entertainment services	**45,211**	38,404
	661,774	684,335

(i) Disaggregated revenue information

	2019	2018
Geographical locations		
Integrated marketing solutions		
Mainland China	**581,704**	567,009
Hong Kong/Singapore	**34,859**	78,922
	616,563	645,931
IP development		
Mainland China	**45,211**	38,404
Total revenue from contracts with customers	**661,774**	684,335
Timing of revenue recognition		
At a point in time	**516,054**	553,125
Over time*	**145,720**	131,210
Total revenue from contracts with customers	**661,774**	684,335

* Included projects on retainer basis

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(i) Disaggregated revenue information *(Continued)*

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2019	2018
	RMB'000	*RMB'000*
Integrated marketing solutions	**5,712**	6,012
IP development	**8,364**	9,938
	14,076	15,950

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Experiential marketing services

The performance obligation is satisfied upon completion of the relevant event with all services rendered and payment is generally due within 60 to 90 days from the date of billing, whereas certain payments in advance are normally required.

Digital and brand communication services

The performance obligation is generally satisfied over time as services are rendered and payment is generally due based on terms agreed by the relevant parties as set out in respective agreements.

Public relations services

The performance obligation is generally satisfied over time as services are rendered and short-term advances are generally required before rendering the services. Public relations service contracts are for periods of one year or less, or are billed on monthly basis.

Sports and entertainment services

The performance obligation is generally satisfied upon completion of the relevant event or activity and payment is generally due within 60 to 90 days from the date of billing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

An analysis of other income and gains is as follows:

	2019	2018
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**606**	186
Government grants*	**6,819**	6,565
Compensation	**7,992**	—
Gain on disposal of an associate	**586**	—
Gain on termination of operating leases	**1,144**	—
Others	**1,995**	80
	19,142	6,831

* Various government grants have been received by certain subsidiaries from PRC's local government authorities as incentives to support the Group's business development/ contribution to local economies/contribution for developing the cultural industry in specific cities. There were no unfulfilled conditions or contingencies relating to these government grants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	**2019** **RMB'000**	2018 RMB'000
Cost of services rendered		**463,646**	511,929
Depreciation of property, plant and equipment**	*13*	**860**	853
Depreciation of right-of-use assets**	*14*	**3,355**	2,921
Amortisation of intangible assets**	*16*	**127**	117
Auditor's remuneration		**1,038**	527
Lease payments not included in the measurement of lease liabilities	*14*	**2,728**	2,323
Employee benefit expense (including directors' and chief executive's remuneration *(note 8)*):			
Wages, salaries, bonuses and allowances		**88,607**	83,886
Pension scheme contributions (defined contribution schemes)		**3,660**	3,093
		92,267	86,979
Fair value gains on Investments in entertainment projects*		**(704)**	(288)
Loss/(gain) on disposal of Investments in associates	*17*	**(586)**	433
Impairment of trade receivables, net*	*19*	**786**	1,180
Reversal of impairment of other receivables*	*20*	**(1,300)**	—
Write-off of other receivables*		**—**	269
Foreign exchange differences, net		**1,445**	(83)

* Included in "Other expenses, net" in the consolidated statement of profit or loss.

** Included in "General and administrative expenses" in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

7. FINANCE COSTS

	Note	**2019** **RMB'000**	2018 RMB'000
Interest on bank and other borrowings		**3,328**	357
Interest on lease liabilities	*14*	**1,187**	611
		4,515	968

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 **RMB'000**	2018 RMB'000
Fees	**—**	—
Other emoluments:		
Salaries, bonuses and allowances	**5,546**	5,819
Pension scheme contributions	**28**	10
	5,574	5,829
	5,574	5,829

(a) Independent non-executive directors

Ms. Cheung Siu Wan, Mr. Yu Lungjun and Dr. Cheung Wah Keung were appointed as independent non-executive directors of the Company on 19 December 2019 with effect from 16 January 2020.

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors and the chief executive

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements is set out below:

	Salaries and allowances	Discretionary bonuses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019				
Mr. Ng	**1,335**	**—**	**12**	**1,347**
Mr. Lau*	**1,415**	**—**	**—**	**1,415**
Mr. Chan	**1,174**	**—**	**—**	**1,174**
Ms. Low	**1,462**	**160**	**16**	**1,638**
	5,386	**160**	**28**	**5,574**
Year ended 31 December 2018				
Mr. Ng	1,091	262	5	1,358
Mr. Lau*	1,275	106	—	1,381
Mr. Chan	1,048	293	—	1,341
Ms. Low	1,535	209	5	1,749
	4,949	870	10	5,829

* Chief executive officer of the Group

Mr. Ng Bo Sing ("Mr. Ng") was appointed as a director of the Company on 27 February 2019 and re-designated as an executive director of the Company on 16 September 2019. Mr. Lau Kam Yiu ("Mr. Lau"), Mr. Chan Wai Bun ("Mr. Chan") and Ms. Low Wei Mun ("Ms. Low") were appointed as executive directors of the Company on 16 September 2019.

During the year, no remuneration was paid or payable by the Group to the executive directors and the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2018: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included four directors (2018: four directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2019	2018
	RMB'000	*RMB'000*
Salaries, allowances and discretionary bonuses	**1,995**	1,892
Pension scheme contributions (defined contribution schemes)	**16**	15
	2,011	1,907

The number of non-director and non-chief executive highest paid employee whose remuneration fell within the following bands is as follows:

	2019	2018
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**—**	—
HK$1,500,001 to HK$2,000,000	**—**	—
HK$2,000,001 to HK$2,500,000	**1**	1
	1	1

10. INCOME TAX

Taxes on profits assessable in Mainland China have been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% (2018: 25%) during the year.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

For those subsidiaries incorporated in Hong Kong, Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

10. INCOME TAX *(Continued)*

For the subsidiary incorporated in Singapore, Singapore profits tax has been provided at the rate of 17% (2018: 17%) on the estimated assessable profits arising in Singapore during the year.

	2019	2018
	RMB'000	*RMB'000*
Current — PRC		
Charge for the year	**22,927**	18,479
Current — Hong Kong/Singapore		
Charge for the year	**1,225**	3,648
Deferred *(note 26)*	**1,843**	(384)
Total tax charge for the year	**25,995**	21,743

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the country/jurisdiction in which the majority of the Company's subsidiaries are domiciled to the tax expense at the Group's effective tax rate is as follows:

	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**66,866**	65,260
Tax at the PRC statutory tax rate of 25%	**16,717**	16,315
Different tax rates enacted by overseas authorities	**1,832**	(485)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**1,234**	2,468
Income not subject to tax	**(155)**	(48)
Expenses not deductible for tax	**6,622**	211
Tax losses not recognised	**809**	2,905
Tax losses utilised from previous periods	**(512)**	—
Others	**(552)**	377
Tax charge at the Group's effective tax rate	**25,995**	21,743

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

11. DIVIDENDS

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

The dividends declared by a subsidiary of the Company to its then shareholders during the year are as follows:

	2019	2018
	RMB'000	*RMB'000*
Dividends	**33,544**	33,544

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share for the year ended 31 December 2019 is based on the profit attributable to ordinary equity holders of the parent of RMB29,969,000 (2018: RMB37,114,000), and the weighted average number of the Company's ordinary shares of 600,000,000 (2018: 600,000,000) in issue and issuable, comprising 100,000,000 shares outstanding on 31 December 2019 and the capitalisation issue of 500,000,000 shares on 16 January 2020 as further detailed in note 27, as if the respective shares were outstanding throughout the periods presented.

No adjustment has been made to the basic earnings per share presented for the years ended 31 December 2019 and 2018 as the Group had no potentially dilutive ordinary shares in issue during those periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Computer equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
31 December 2019					
At 31 December 2018 and 1 January 2019:					
Cost	896	763	4,270	1,020	6,949
Accumulated depreciation	(422)	(673)	(3,160)	(829)	(5,084)
Net carrying amount	474	90	1,110	191	1,865
At 1 January 2019, net of accumulated depreciation	474	90	1,110	191	1,865
Additions	118	22	734	—	874
Write off	—	—	(7)	—	(7)
Depreciation provided for the year	(102)	(37)	(620)	(101)	(860)
Exchange realignment	—	—	1	—	1
At 31 December 2019, net of accumulated depreciation	490	75	1,218	90	1,873
At 31 December 2019:					
Cost	1,019	787	4,954	1,020	7,780
Accumulated depreciation	(529)	(712)	(3,736)	(930)	(5,907)
Net carrying amount	490	75	1,218	90	1,873

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold improvements *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Computer equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
31 December 2018					
At 1 January 2018:					
Cost	696	712	3,554	1,020	5,982
Accumulated depreciation	(352)	(581)	(2,712)	(690)	(4,335)
Net carrying amount	344	131	842	330	1,647
At 1 January 2018, net of accumulated depreciation	344	131	842	330	1,647
Additions	187	46	838	—	1,071
Disposal	—	—	(5)	—	(5)
Depreciation provided for the year	(57)	(86)	(571)	(139)	(853)
Exchange realignment	—	(1)	6	—	5
At 31 December 2018, net of accumulated depreciation	474	90	1,110	191	1,865
At 31 December 2018:					
Cost	896	763	4,270	1,020	6,949
Accumulated depreciation	(422)	(673)	(3,160)	(829)	(5,084)
Net carrying amount	474	90	1,110	191	1,865

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

14. LEASES

The Group as a lessee

The Group has lease contracts for various offices used in its operations. Leases for properties are negotiated for terms ranging 1 to 7 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	2019	2018
	RMB'000	*RMB'000*
At 1 January	**10,057**	10,663
Additions during the year	**18,835**	2,593
Termination of leases	**(8,968)**	(278)
Depreciation provided for the year	**(3,355)**	(2,921)
At 31 December	**16,569**	10,057

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2019	2018
	RMB'000	*RMB'000*
Carrying amount at 1 January	**11,045**	11,421
New leases	**18,835**	2,593
Termination of leases	**(10,112)**	(306)
Accretion of interest recognised during the year	**1,187**	611
Payments	**(3,563)**	(3,289)
Exchange realignment	**40**	15
Carrying amount at 31 December	**17,432**	11,045
Analysed into:		
Current portion	**4,175**	1,651
Non-current portion	**13,257**	9,394

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14. LEASES *(Continued)*

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019	2018
	RMB'000	*RMB'000*
Interest on lease liabilities	**1,187**	611
Depreciation charge of right-of-use assets	**3,355**	2,921
Expense relating to short-term leases	**2,728**	2,323
Total amount recognised in profit or loss	**7,270**	5,855

(d) The total cash outflow for leases is disclosed in note 30(b) to the financial statements.

15. GOODWILL

	RMB'000
Cost and carrying amount at 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	10,233

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Experiential marketing cash-generating unit; and
- Digital and brand communication cash-generating unit.

Experiential marketing cash-generating unit

The recoverable amount of the experiential marketing cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets/forecasts covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 14% (2018: 14%) for the recoverable amount, which is determined by reference to the average rate for similar industries and the business risks of the relevant cash-generating unit. The growth rate used to extrapolate the cash flows of the experiential marketing cash-generating unit beyond the five-year period is 3% (2018: 3%) for the recoverable amount, which is similar to the long term growth rate of the experiential marketing industry. The cash flow projections are determined based on past performance and management's expectations for market development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

15. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Digital and brand communication cash-generating unit

The recoverable amount of the digital and brand communication cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets/forecasts covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 14% (2018: 14%) for the recoverable amount, which is determined by reference to the average rate for similar industries and the business risks of the relevant cash-generating unit. The growth rate used to extrapolate the cash flows of the digital and brand communication cash-generating unit beyond the five-year period is 3% (2018: 3%) for the recoverable amount, which is similar to the long term growth rate of the digital marketing industry. The cash flow projections are determined based on past performance and management's expectations for market development.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2019	2018
	RMB'000	*RMB'000*
Experiential marketing cash-generating unit:		
Activation Events BJ	**7,734**	7,734
Activation Project 23	**1,069**	1,069
Digital and brand communication cash-generating unit:		
Activation Digital	**1,430**	1,430
Carrying amount	**10,233**	10,233

Assumptions were used in the value in use calculations of the experiential marketing and digital and brand communication cash-generating units for 31 December 2019 and 31 December 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted/forecasted revenue and results of operations — The basis used to determine the value assigned to the budgeted/forecasted revenue and results of operations is the revenue and results of operations achieved in the year immediately before the budget/forecast year, adjusted for, among others, expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on market development and discount rates of the experiential marketing cash-generating unit and digital and brand communication cash-generating unit are consistent with external information sources.

The directors of the Company are of the view that the estimated recoverable amounts of experiential marketing cash-generating unit and digital and brand communication cash-generating unit exceeded their respective carrying amounts. A reasonably possible change in key assumptions will not cause the carrying amounts of the cash-generating units to exceed their respective recoverable amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16. INTANGIBLE ASSETS

	Computer software RMB'000
31 December 2019	
Cost at 1 January 2019, net of accumulated amortisation	**232**
Additions — acquired separately	**163**
Amortisation provided during the year	**(127)**
At 31 December 2019	**268**
At 31 December 2019:	
Cost	**765**
Accumulated amortisation	**(497)**
Net carrying amount	**268**
31 December 2018	
At 1 January 2018:	
Cost	550
Accumulated amortisation	(253)
Net carrying amount	297
Cost at 1 January 2018, net of accumulated amortisation	297
Additions — acquired separately	52
Amortisation provided during the year	(117)
At 31 December 2018	232
At 31 December 2018 and at 1 January 2019:	
Cost	602
Accumulated amortisation	(370)
Net carrying amount	232

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17. INVESTMENTS IN ASSOCIATES

	2019 **RMB'000**	2018 RMB'000
Share of net assets	**5,512**	6,524

Particulars of the associates are as follows:

Name	**Particulars of issued shares held**	**Place of incorporation/ registration and business**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Chengrun Huashang (Beijing) Culture Media Co., Limited ("Chengrun Huashang")* 誠潤華尚(北京)文化傳媒有限公司	Ordinary shares	PRC/ Mainland China	Nil (2018: 30%) *(note (i))*	Provision of artist management services
Stufish Asia Limited ("Stufish Asia")	Ordinary shares	Hong Kong	41.65% (2018: 41.65%) *(note (ii))*	Provision of live entertainment services

* The English name of the company represents the best effort made by management of the Company to directly translate its Chinese name as it does not register any official English name.

Notes:

(i) On 10 September 2019, the Group disposed of its entire interest in Chengrun Huashang to an independent third party for a consideration of RMB1,200,000 and resulted in a gain on disposal of RMB586,000.

(ii) The Group invested 49% equity interest in Stufish Asia in February 2017 and disposed of 7.35% equity interest in Stufish Asia in November 2018 for nil consideration to certain senior management of the Group and resulted in a loss on disposal of approximately RMB433,000.

The Group's shareholdings in the associates are held through indirectly wholly-owned subsidiaries of the Company.

The financial year end of the associates is coterminous with that of the Group.

Stufish Asia is considered as a material associate of the Group and is accounted for using the equity method in the financial statements.

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17. INVESTMENTS IN ASSOCIATES *(Continued)*

The following table illustrates the summarised financial information in respect of Stufish Asia adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements.

	2019	2018
	RMB'000	*RMB'000*
Current assets	**5,326**	27,937
Non-current assets	**8,966**	8,958
Current liabilities	**(1,058)**	(22,703)
Net assets	**13,234**	14,192
Reconciliation to the Group's interest in the associate:		
Portion of the Group's ownership	**41.65%**	41.65%
Group's share of net assets of the associate	**5,512**	5,911
Carrying amount of the investment	**5,512**	5,911
Revenue	**70,906**	87,083
Loss and total comprehensive loss for the year	**(958)**	(2,816)

Stufish Asia was in its start-up phase of operation. According to the profit forecast prepared by management, Stufish Asia will realise sustainable profit in the near future. The directors of the Company were of the opinion that the recoverable amount of it was higher than the carrying amount as at 31 December 2018 and 31 December 2019, and hence no provision for impairment was necessary for the investment in Stufish Asia.

The following table illustrates the financial information of the Group's associate that is not individually material:

	2019	2018
	RMB'000	*RMB'000*
Share of an associate's profit for the year	**1**	13
Aggregate carrying amount of the Group's investment in the associate	**—**	613

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. INVESTMENTS IN ENTERTAINMENT PROJECTS

	2019	2018
	RMB'000	*RMB'000*
Investments in entertainment projects, at fair value	**1,594**	7,200
Classified as non-current assets	**—**	(283)
Current assets	**1,594**	6,917

During the years ended 31 December 2019 and 2018, the Group entered into certain investment agreements with external third parties to collaborate on the production and commercialisation of certain theatre circus shows, an online reality show and an online series drama, which entitle the Group to, among others, the rights to recoup its investment amounts and to share net profit or loss of the respective entertainment projects attributable to the Group, as appropriate, in accordance with the terms of the respective investment agreements. The Group measured, at initial recognition, the cost of these investments based on the cash consideration for these investments.

Investments in entertainment projects were designated as such upon initial recognition as financial assets at fair value through profit or loss as their contractual cash flows were not solely payments of principal and interest and such investments were held within a business model with the objective of both holding to collect contractual cash flows and selling.

19. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Billed receivables	**106,457**	113,224
Impairment	**(2,204)**	(3,618)
	104,253	109,606
Unbilled receivables	**66,069**	149,041
	170,322	258,647

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. TRADE RECEIVABLES *(Continued)*

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period generally ranges from 60 to 90 days from the date of invoice to these customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the billed receivables as at the end of the reporting period, based on the invoice date or equivalent and net of loss allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**57,894**	69,760
1 to 3 months	**33,179**	22,695
Over 3 months	**13,180**	17,151
	104,253	109,606

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**3,618**	2,438
Impairment losses, net *(note 6)*	**786**	1,180
Amount written off as uncollectible	**(2,200)**	—
At end of year	**2,204**	3,618

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, customer type and rating). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. TRADE RECEIVABLES *(Continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

		Past due				
	Current	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**Over 1 year**	**Total**
Expected credit loss rate	**0.03%**	**0.03%**	**0.68%**	**6.90%**	**100%**	**1.28%**
Gross carrying amount *(RMB'000)*	**151,037**	**3,513**	**5,427**	**11,195**	**1,354**	**172,526**
Expected credit losses *(RMB'000)*	**41**	**—**	**37**	**772**	**1,354**	**2,204**

As at 31 December 2018

		Past due				
	Current	Less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total
Expected credit loss rate	0.03%	0.04%	0.56%	7%	100%	1.38%
Gross carrying amount *(RMB'000)*	247,277	2,612	2,837	6,457	3,082	262,265
Expected credit losses *(RMB'000)*	67	1	16	452	3,082	3,618

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Prepayments	**11,126**	13,418
Deposits	**3,120**	2,095
Other receivables	**78**	5,312
	14,324	20,825
Impairment	**—**	(1,300)
	14,324	19,525

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

The movements in loss allowance for impairment of other receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**1,300**	1,300
Reversal of impairment *(note 6)*	**(1,300)**	—
At end of year	**—**	1,300

Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default. As at 31 December 2018, the probability of default applied was 16% and the loss given default was estimated to be 100%. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2019, the loss allowance was assessed to be minimal.

21. DUE FROM A SHAREHOLDER

The amount due from a shareholder is unsecured, non-trade nature, interest-free and repayable on demand.

Set out below is additional information of the amount due from a shareholder, Mr. Ng, as at the end of the reporting period.

	At beginning of the year	**Maximum amount outstanding during the year**	**At end of the year**
	RMB'000	*RMB'000*	*RMB'000*
31 December 2019	—	—	—
31 December 2018	17,429	17,429	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. CASH AND CASH EQUIVALENTS

	Note	2019 RMB'000	2018 RMB'000
Cash and bank balances		**129,493**	87,509
Time deposits		**8,940**	888
		138,433	88,397
Less: Pledged time deposits:			
Pledged for bank loan	*25(b)*	**(8,940)**	—
Cash and cash equivalents		**129,493**	88,397

The Group's cash and cash equivalents are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
RMB	**119,964**	76,068
Others	**9,529**	12,329
Cash and cash equivalents	**129,493**	88,397

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for three months depending on the immediate cash requirements of the Group, and earn interest at the short term time deposit rates. The bank balances and pledged bank deposits are deposited with creditworthy banks with no recent history of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019	2018
	RMB'000	RMB'000
Within 1 month	109,392	144,992
1 to 3 months	19,279	13,035
Over 3 months	21,002	5,046
	149,673	163,073

The trade payables are non-interest-bearing and are normally settled on terms ranging from 60 to 90 days.

24. OTHER PAYABLES AND ACCRUALS

	Notes	2019	2018
		RMB'000	RMB'000
Contract liabilities	(a)	977	14,076
Dividend payable		5,600	12,680
Other payables and accruals	(b)	26,970	29,154
		33,547	55,910

Notes:

(a) Contract liabilities include (i) short-term advances received to deliver experiential marketing services; and (ii) unsatisfied performance obligations from the completion of the relevant events or activities.

Details of contract liabilities are as follows:

	2019	2018
	RMB'000	RMB'000
Integrated marketing solutions	713	5,712
IP development	264	8,364
	977	14,076

(b) Other payables are non-interest-bearing and have an average term of three months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2019 RMB'000	2018 RMB'000
Current			
Bank borrowings repayable within one year or on demand — unsecured	(a)	**10,000**	19,000
Bank borrowing repayable within one year or on demand — secured	(b)	**11,173**	—
Other borrowing repayable within one year or on demand — secured	(c)	**53,640**	—
		74,813	19,000

The Group's bank and other borrowings are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
RMB	**10,000**	19,000
HK$	**64,813**	—
	74,813	19,000

Notes:

(a) The unsecured bank borrowings bore interest at the Bank of China's Loan Prime Rate plus 0.635% per annum (2018: Bank of China's Loan Prime Rate plus 0.475% per annum).

(b) As at 31 December 2019, the secured bank borrowing bore interest at the Hong Kong Interbank Offered Rate plus 3.25% per annum (2018: Nil) and is secured by the pledge of the Group's time deposits amounting to RMB8,940,000 (2018: Nil).

(c) As at 31 December 2019, the secured other borrowing bore interest at a fixed rate of 15% per annum and is repayable in February 2020. The other borrowing is secured by (i) share mortgage provided by Activation Enterprise on the entire issued shares of Activation International and (ii) personal guarantees provided by Mr. Ng and Mr. Lau. The personal guarantees provided by Mr. Ng and Mr. Lau would be automatically discharged and released one day before the Listing.

(d) As at 31 December 2019, the bank and other borrowings of the Group with a total carrying amount of approximately RMB74,813,000 (2018: RMB19,000,000) containing a repayment on demand clause have been classified in total as current liabilities. For the purpose of the above analysis, the bank and other borrowings are analysed into bank and other borrowings repayable within one year or on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes: (Continued)

(e) As at 31 December 2019, the Group had aggregate banking facilities amounting to approximately RMB23,410,000 (2018: RMB42,030,000), of which an aggregate amount of RMB21,173,000 (2018: RMB19,000,000) was utilised as at 31 December 2019.

(f) Mr. Ng and Mr. Lau have provided personal guarantees (the "Personal Guarantees") for the Group's banking facilities in the prior year and up to 16 January 2020.

As agreed by the relevant banks, the Personal Guarantees provided by Mr. Ng and Mr. Lau would be replaced by guarantees from the Company upon the Listing.

26. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax liabilities

	Note	**Timing differences on lease liabilities and right-of-use assets** *RMB'000*
At 1 January 2018		190
Deferred tax charged to profit or loss during the year	*10*	60
At 31 December 2018 and 1 January 2019		250
Deferred tax credited to profit or loss during the year	*10*	(40)
At 31 December 2019		210

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

26. DEFERRED TAX *(Continued)*

Deferred tax assets

	Note	Impairment of financial assets RMB'000	Deferred income RMB'000	Total RMB'000
At 1 January 2018		284	1,706	1,990
Deferred tax credited/(charged) to profit or loss during the year	10	620	(176)	444
At 31 December 2018 and 1 January 2019		904	1,530	2,434
Deferred tax charged to profit or loss during the year	10	(353)	(1,530)	(1,883)
At 31 December 2019		551	—	551

The Group has tax losses arising in Mainland China of approximately RMB20,168,000 (2018: RMB21,291,000) as at 31 December 2019 that will expire in one to five years for offsetting against future taxable profits.

The Group also has tax loss arising in Hong Kong of RMB3,502,000 (2018: Nil) that is available indefinitely for offsetting against future taxable profits of the company in which the loss arose.

Deferred tax assets have not been recognised in respect of these tax losses as at 31 December 2019 as the directors of the Company consider it is currently not probable that future taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26. DEFERRED TAX *(Continued)*

Deferred tax assets *(Continued)*

At 31 December 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future to their foreign shareholders. The aggregate amount of temporary differences associated with the investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately RMB109,680,000 at 31 December 2019 (2018: RMB80,724,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

27. ISSUED CAPITAL

Shares

	2019	2018
	RMB'000	*RMB'000*
Authorised:		
10,000,000,000 ordinary shares of HK$0.001 each	**8,800**	—
Issued and fully paid:		
100,000,000 ordinary shares of HK$0.001 each	**88**	—

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27. ISSUED CAPITAL *(Continued)*

Shares *(Continued)*

A summary of movements in the Company's authorised and issued share capital is as follows:

	Notes	Number of shares	Share capital RMB'000
Authorised:			
3,800,000 ordinary shares of HK$0.1 each on 27 February 2019 (date of incorporation)	*(a)*	3,800,000	334
Additional shares from share subdivision on 12 April 2019	*(b)*	376,200,000	—
Increase of 9,620,000,000 ordinary shares of HK$0.001 each on 19 December 2019	*(c)*	9,620,000,000	8,466
At 31 December 2019 and 16 January 2020		10,000,000,000	8,800
Issued and fully paid:			
Issuance of 1 ordinary share of HK$0.1 on 27 February 2019 (date of incorporation)	*(a)*	1	—
Additional shares from share subdivision on 12 April 2019	*(b)*	99	—
Issuance of 99,999,900 ordinary shares of HK$0.001 each on 22 July 2019	*(d)*	99,999,900	88
At 31 December 2019		100,000,000	88
Capitalisation of 500,000,000 ordinary shares of HK$0.001 each on 16 January 2020	*(e)*	500,000,000	440
Issuance of 200,000,000 ordinary shares of HK$0.001 each on 16 January 2020	*(f)*	200,000,000	176
At 16 January 2020		800,000,000	704

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. ISSUED CAPITAL *(Continued)*

Shares *(Continued)*

(a) On 27 February 2019, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with authorised share capital of HK$380,000 divided into 3,800,000 ordinary shares of HK$0.1 each. Upon incorporation, 1 ordinary share of the Company of HK$0.1 was allotted and issued, credited as fully paid, to a subscriber, which was then transferred to its then shareholder on the same day at nil consideration.

(b) On 12 April 2019, each of the 3,800,000 shares of the Company in the authorised share capital was sub-divided into 100 ordinary shares such that the authorised share capital of the Company was HK$380,000 divided into 380,000,000 ordinary shares of HK$0.001 each.

(c) Pursuant to a written resolution of the shareholders of the Company passed on 19 December 2019, the authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000 by the creation of 9,620,000,000 shares with a par value of HK$0.001 each.

(d) On 22 July 2019, 99,999,900 ordinary shares of the Company were issued at HK$0.001 per share.

(e) Pursuant to the written resolutions of the shareholders of the Company passed on 19 December 2019, 500,000,000 ordinary shares of the Company of HK$0.001 each were allotted and issued, credited as fully paid at par, by way of capitalisation from the share premium account of the Company to the holders of shares whose names appeared on the register of members of the Company at the close of business on 19 December 2019. This allotment and capitalisation issue were conditional on the share premium account being credited as a result of the issue of new shares of the Company to the public in connection with the Company's initial public offering as detailed in note (f) below.

(f) In connection with the Company's initial public offering, 200,000,000 ordinary shares of the Company of par value of HK$0.001 each were issued at a price of HK$2.02 per share for a total cash consideration, before share issue expenses, of approximately HK$404,000,000. Dealings in the shares of the Company on the Stock Exchange commenced on 16 January 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 19 December 2019. Since the date of adoption, no share option was granted, exercised, outstanding, cancelled or lapsed under the Share Option Scheme. The principal terms of the Share Option Scheme are summarised as follows:

(a) Purpose of the Share Option Scheme

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivating the Eligible Participants to optimise their performance and efficiency for the benefit of the Group; and

(ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long term growth of the Group.

(b) Participant of the Share Option Scheme

The board of directors of the Company (the "Board") may, at its discretion, grant the share option to the following persons (the "Eligible Participants") to subscribe the number of ordinary shares of the Company (the "Shares") which may determined by the Board at an exercise price determined in accordance with paragraph (c):

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries;

(iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and

(iv) others who, will contribute or have contributed to the Group and had been recognised by the whole Board. The assessment criteria of which are:

(a) contribution to the development and performance of the Group;

(b) quality of work performed for the Group;

(c) initiative and commitment in performing his/her duties; and

(d) length of service or contribution to the Group.

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28. SHARE OPTION SCHEME *(Continued)*

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be the price determined by the Board in its absolute discretion, save that the price will not be less than the highest of follows:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the closing prices of the Shares for the five business days immediately preceding the date of grant; and

(iii) the nominal value of the Shares.

(d) Grant of options and acceptance of offers

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

(e) Maximum number of Shares of the Company available for issue

The total number of Shares available for issue under the Share Option Scheme is 80,000,000 Shares, represent 10% of the Shares in issue as at 16 January 2020 (i.e. the date on which the shares of the Company were listed on the Stock Exchange).

(f) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

(g) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(h) Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on 19 December 2019, subject to early termination provisions contained in the Share Option Scheme.

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29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 65 of the financial statements.

(a) Capital reserve

Capital reserve comprises the contribution from an intermediate holding company for the acquisition of certain subsidiaries in prior years and the equity-settled share-based payments.

(b) Statutory reserve

Pursuant to the relevant laws and regulations in Mainland China, a portion of the profits of the Group's subsidiaries, established in the PRC has been transferred to reserve funds which are restricted as to use. The subsidiaries are not required to effect any further transfer when the amount of the reserve funds reaches 50% of their registered capital.

(c) Exchange fluctuation reserve

Exchange fluctuation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of foreign operations.

(d) Other reserve

Group

Other reserve mainly represents the difference between the investment cost and the nominal value of the registered capital of the Activation Group prior to the Reorganisation as disclosed in note 2.1 to the financial statements and the difference between the acquisition of additional equity interest in a subsidiary from the non-controlling shareholder and the consideration paid.

Company

Other reserve represents the difference between the investment cost of the wholly-owned subsidiary and the nominal value of the share capital of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Lease liabilities *RMB'000*	**Interest-bearing bank and other borrowings** *RMB'000*
At 1 January 2018	11,421	—
Changes from financing cash flows	(3,289)	19,000
New leases entered during the year	2,593	—
Interest expense	611	—
Write-off	(306)	—
Foreign exchange movement	15	—
At 31 December 2018 and at 1 January 2019	**11,045**	**19,000**
Changes from financing cash flows	**(3,563)**	**55,813**
New leases entered during the year	**18,835**	**—**
Interest expense	**1,187**	**—**
Write-off	**(10,112)**	**—**
Foreign exchange movement	**40**	**—**
At 31 December 2019	**17,432**	**74,813**

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Within operating activities	**2,728**	2,323
Within financing activities	**3,563**	3,289
	6,291	5,612

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with a related party during the year:

	2019	2018
	RMB'000	*RMB'000*
Related company:		
Expenses relating to short-term leases	**2,250**	2,045

Rentals were charged in accordance with tenancy agreements entered into between the relevant parties. A director of the Company during the year has a beneficial equity interest in the related company.

(b) Compensation of key management personnel of the Group

Remuneration for key management personnel of the Group, including directors' remuneration as disclosed in note 8 to the financial statements, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Short-term employee benefits	**11,953**	12,487
Post-employment benefits	**136**	106
Total compensation paid to key management personnel	**12,089**	12,593

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Designated as financial assets at fair value through profit or loss *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
31 December 2019			
Trade receivables	**—**	**170,322**	**170,322**
Investments in entertainment projects	**1,594**	**—**	**1,594**
Financial assets included in prepayments, deposits and other receivables	**—**	**3,198**	**3,198**
Pledged bank deposits	**—**	**8,940**	**8,940**
Cash and cash equivalents	**—**	**129,493**	**129,493**
	1,594	**311,953**	**313,547**
31 December 2018			
Trade receivables	—	258,647	258,647
Investments in entertainment projects	7,200	—	7,200
Financial assets included in prepayments, deposits and other receivables	—	6,107	6,107
Cash and cash equivalents	—	88,397	88,397
	7,200	353,151	360,351

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

32. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
31 December 2019	
Trade payables	**149,673**
Financial liabilities included in other payables and accruals	**16,158**
Interest-bearing bank and other borrowings	**74,813**
Lease liabilities	**17,432**
	258,076
31 December 2018	
Trade payables	163,073
Financial liabilities included in other payables and accruals	15,733
Interest-bearing bank borrowings	19,000
Lease liabilities	11,045
	208,851

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts	
	2019	2018
	RMB'000	*RMB'000*
Financial assets		
Investments in entertainment projects	**1,594**	7,200

	Fair values	
	2019	2018
	RMB'000	*RMB'000*
Financial assets		
Investments in entertainment projects	**1,594**	7,200

At the end of the reporting period, the carrying amounts of the Group's other financial assets and financial liabilities reasonably approximated to their fair values.

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings reasonably approximate to their carrying amounts largely because these instruments have short term maturities/are repayable on demand or the effect of discounting is not material.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

For the Investments in entertainment projects, their fair values are estimated with reference to the expected net proceeds receivable from those entertainment projects attributable to the Group.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019				
Financial assets at fair value through profit or loss:				
Investments in entertainment projects	**—**	**—**	**1,594**	**1,594**
As at 31 December 2018				
Financial assets at fair value through profit or loss:				
Investments in entertainment projects	—	—	7,200	7,200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Assets measured at fair value: *(Continued)*

The movements in fair value measurements within Level 3 during the year are as follows:

	2019	2018
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss:		
At 1 January	**7,200**	2,958
Additions	**—**	5,181
Net gain recognised in profit or loss	**704**	288
Settlements	**(6,310)**	(1,227)
At 31 December	**1,594**	7,200

The Group did not have any financial liabilities measured at fair value as at 31 December 2019 (2018: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as pledged bank deposits trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, lease liabilities and financial liabilities included in other payables and accruals, which mainly arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with floating interest rates. The Group mitigates the risk by monitoring closely the movements in interest rates regularly.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate interest-bearing bank borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *RMB'000*
Year ended 31 December 2019		
RMB	**50**	**(500)**
	(50)	**500**
HKD	**50**	**(559)**
	(50)	**559**
Year ended 31 December 2018		
RMB	50	(950)
	(50)	950

Credit risk

The Group mainly transacts with creditworthy third parties. Receivable balances are monitored on an ongoing basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	172,526	172,526
Financial assets included in prepayments, deposits and other receivables					
— Normal**	3,198	—	—	—	3,198
— Doubtful**	—	—	—	—	—
Pledged bank deposits					
— Not yet past due	8,940	—	—	—	8,940
Cash and cash equivalents					
— Not yet past due	129,493	—	—	—	129,493
	141,631	—	—	172,526	314,157

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Maximum exposure and year-end staging *(Continued)*

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	262,265	262,265
Financial assets included in prepayments, deposits and other receivables					
— Normal**	2,537	—	—	—	2,537
— Doubtful**	—	4,870	—	—	4,870
Cash and cash equivalents					
— Not yet past due	88,397	—	—	—	88,397
	90,934	4,870	—	262,265	358,069

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Concentrations of credit risk are managed by customer/counterparty. At the end of the reporting period, the Group had certain concentrations of credit risk as follows:

	2019	2018
	% of total trade receivables	% of total trade receivables
Trade receivables from:		
The largest debtor	**7**	12
The five largest debtors	**30**	38

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group's objective is to ensure that there are adequate funds to meet its liquidity requirements in the short and longer term by considering the maturity of its financial assets and liabilities and projected cash flows.

The following tables show the maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments.

	On demand	Less than 1 year	1 to 10 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2019				
Trade payables	**—**	**149,673**	**—**	**149,673**
Financial liabilities included in other payables and accruals	**—**	**16,158**	**—**	**16,158**
Interest-bearing bank and other borrowings	**74,813**	**—**	**—**	**74,813**
Lease liabilities	**—**	**4,896**	**14,974**	**19,870**
	74,813	**170,727**	**14,974**	**260,514**
31 December 2018				
Trade payables	—	163,073	—	163,073
Financial liabilities included in other payables and accruals	—	15,733	—	15,733
Interest-bearing bank borrowings	19,000	—	—	19,000
Lease liabilities	—	2,376	11,411	13,787
	19,000	181,182	11,411	211,593

As at 31 December 2019, the above interest-bearing bank and other borrowings with aggregate carrying amount of approximately RMB74,813,000 (2018: RMB19,000,000) contain repayment on demand clause giving to the banks and the borrower the unconditional right to call in the borrowings at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Notwithstanding the above clause, the directors do not believe that the borrowings will be called in their entirety at any time and they consider that the borrowings will be repaid in accordance with the maturity dates as set out in the corresponding banking facility letters, bank correspondence and loan agreement. This evaluation was made after considering: the financial position of the Group at the date of approval of these financial statements; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time.

In accordance with the terms of the bank and other borrowings which contain repayment on demand clause, the maturity profile of the bank and other borrowings as at 31 December 2019 and 2018, based on the contractual undiscounted payments and ignoring the effect of any repayment on demand clause, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Less than 1 year	**76,394**	19,316

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to continue to provide returns for shareholders and benefits for other stakeholders.

The Group actively and regularly reviews and manages its capital structure and strives to maintain a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes interest-bearing bank and other borrowings and lease liabilities, as shown in the consolidated statement of financial position. The gearing ratios as at the end of the reporting periods were as follows:

	2019	2018
	RMB'000	*RMB'000*
Interest-bearing bank and other borrowings *(note 25)*	**74,813**	19,000
Lease liabilities *(note 14)*	**17,432**	11,045
Total debt	**92,245**	30,045
Total equity	**72,029**	142,602
Gearing ratio (%)	**128.07**	21.07

35. EVENT AFTER THE REPORTING PERIOD

In view of the outbreak of the Coronavirus Disease 2019 ("COVID-19") in January 2020 in the PRC, the PRC authority has taken national prevention and control of the COVID-19. The COVID-19 has certain impacts on the business operation and overall economy in some geographical areas or industries in the PRC. The extent of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic.

The Group will stay alert to the development and situation of the COVID-19, continuing to assess its impacts on the financial position and operating results of the Group and take necessary action to mitigate the business risk in the PRC. Up to the date of this report, the assessment is still in progress.

Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019
	RMB'000
NON-CURRENT ASSET	
Investment in a subsidiary	**37,729**
CURRENT ASSETS	
Cash and cash equivalents	**69**
Due from a subsidiary	**50,020**
Total current assets	**50,089**
CURRENT LIABILITIES	
Due to subsidiaries	**91**
Other payables and accruals	**693**
Other borrowing	**53,640**
Total current liabilities	**54,424**
NET CURRENT LIABILITIES	**(4,335)**
Net assets	**33,394**
EQUITY	
Issued capital	**88**
Reserves *(note)*	**33,306**
Total equity	**33,394**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Other reserve	Exchange fluctuation reserve	Accumulated loss	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(note 29)			
At 27 February 2019	—	—	—	—
Loss for the period	—	—	(4,268)	(4,268)
Other comprehensive loss for the period	—	(67)	—	(67)
Issue of shares	37,641	—	—	37,641
At 31 December 2019	37,641	(67)	(4,268)	33,306

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2020.

DEFINITIONS

"ACT Holdings"	ACT Holdings Ltd., a company incorporated in the BVI with limited liability on 29 November 2018 which is held by a professional trustee under a trust for the benefit of the Company's executive Directors, senior management and other key personnel of the Group pursuant to awards to be granted by the Company at the discretion of the Board from time to time
"ACT Partners"	ACT Partners Global Ltd., a company incorporated in the BVI with limited liability on 10 December 2018 which is beneficially owned by ACT Holdings and nine staff members including the Company's executive Directors, senior management and other key personnel of the Group
"Activation Business Consultancy"	Shanghai Aideweixuan Business Consultancy Co., Ltd.* (上海艾德韋宣商務諮詢有限公司), a limited liability company established under the laws of the PRC on 22 November 2013, the predecessor company of Activation Group
"Activation Digital"	Shanghai Fansi Advertising Co., Ltd.* (上海范思廣告有限公司), a limited liability company established under the laws of the PRC on 11 July 2012 and an indirect non-wholly owned subsidiary of the Company
"Activation Events"	a business unit of the Group which is responsible for organising, promoting and running experiential marketing events
"Activation Events BJ"	Beijing Anweixun Business Consulting Co., Ltd.* (北京安維訊商務諮詢有限公司), a limited liability company established under the laws of the PRC on 13 March 2012 and an indirect non-wholly owned subsidiary of the Company
"Activation Events HK"	Activation Events (HK) Limited (艾博思韋宣策劃有限公司) (previously known as Activation Event (HK) Limited (艾博思韋宣策劃有限公司)), a limited company incorporated in Hong Kong under the Companies Ordinance on 11 July 2013 and an indirect non-wholly owned subsidiary of the Company
"Activation Events SGP"	Activation Events (Singapore) Pte. Ltd., a private company limited by shares incorporated under the laws of Singapore on 5 March 2014 and an indirect non-wholly owned subsidiary of the Company
"Activation Group"	Shanghai Aideweixuan Group Co., Ltd.* (上海艾德韋宣股份有限公司), a joint stock limited company converted from its predecessor company, Activation Business Consultancy, under the laws of the PRC on 15 December 2015 and an indirect non-wholly owned subsidiary of the Company
"Activation Investment"	Activation Investment Limited (艾 特 投 資 有 限 公 司), a limited liability company incorporated in Hong Kong under the Companies Ordinance on 5 September 2013 which is ultimately wholly owned by Mr. Ng and was holding approximately 14.71% of the issued share capital of the Company as at the Latest Practicable Date

DEFINITIONS

"Activation One"	Activation One Limited (艾特聯合有限公司), a limited company incorporated in Hong Kong under the Companies Ordinance on 4 September 2013, which is ultimately controlled by Ms. Low through Step Mind Enterprises Limited and was holding approximately 5.37% of the issued share capital of the Company as at the Latest Practicable Date
"Activation PR"	Shanghai Aidi Linjie Cultural Development Co., Ltd.* (上海艾迪霖杰文化發展有限公司), a limited liability company established under the laws of the PRC on 30 September 2013 and an indirect non-wholly owned subsidiary of the Company
"Aide Zhongxin"	Aide Zhongxin (Shanghai) Investment Management Enterprise (Limited Partnership)* (艾德眾信(上海)投資管理企業(有限合夥)), a limited partnership established under the laws of the PRC on 14 March 2014 and was holding approximately 7.63% of the issued share capital of the Company as at the Latest Practicable Date
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company adopted on 19 December 2019 (as amended, supplemented or otherwise modified from time to time)
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Auditor"	Ernst & Young, Certified Public Accountants
"Aurora Activation"	Aurora Activation Holdings Limited (極光動力控股有限公司), a limited company incorporated in Hong Kong under the Companies Ordinance on 23 September 2013 which is ultimately wholly owned by Mr. Lau and was holding approximately 19.30% of the issued share capital of the Company as at the Latest Practicable Date
"Board" or "Board of Directors"	the board of Directors of the Company
"Brightly Sky"	Brightly Sky Company Limited (卓明遠達有限公司), a limited company incorporated in Hong Kong under the Companies Ordinance on 17 September 2013 which is wholly owned by ACT Partners and was holding approximately 21.18% of the issued share capital of the Company as at the Latest Practicable Date
"Business Day"	a day (other than a Saturday, Sunday or public holiday) in Hong Kong on which banks in Hong Kong are open generally for normal banking business
"BVI"	British Virgin Islands

DEFINITIONS

"Cayman Islands Companies Law" or "Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Activation Group Holdings Limited (艾德韋宣集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 27 February 2019 under the Companies Law
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and in the context of this annual report, means the controlling shareholders of the Company, being Mr. Ng, NBS Holdings, Activation Investment, Mr. Lau, Dashing Fortune and Aurora Activation
"Dashing Fortune"	Dashing Fortune International Limited (利高國際有限公司), a company incorporated in the BVI with limited liability on 15 April 2013 and wholly owned by Mr. Lau
"Director(s)"	the director(s) of the Company
"FY2018" or "2018"	the financial year ended 31 December 2018
"FY2019" or "2019"	the financial year ended 31 December 2019
"Greater China"	geographic area that shares commercial and cultural ties, including Hong Kong, Macau and China
"Group"	the Company and its subsidiaries, or where the context refers to any time prior to the Company becoming the holding company of its present subsidiaries, the present subsidiaries of the Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

"IP"	intellectual property
"IP development"	also known as IP activation, the business which involves introducing, developing and growing an IP for clients
"IP Cooperation Agreements"	collectively, the LaLiga Cooperation Agreements and the ASO Cooperation Agreements
"LaLiga"	LaLiga De Fu´ tbol Profesional, and for the purposes of this annual report includes its wholly owned subsidiary, Beijing Spanish Football League Consulting Co., Ltd, the entity responsible for the organisation and staging of the Primera Divisio´n and the Segunda Divisio´n being the top and second tier professional association football divisions in Spain respectively
"LaLiga Club"	the designation under which LaLiga and the Group collaborate to create a premium football experiential platform in the PRC
"Latest Practicable Date"	16 April 2020, the latest date prior to the printing of this annual report for ascertaining certain information in this annual report
"Listing"	the listing of the Company's Shares on the Main Board of the Stock Exchange
"Listing Date"	16 January 2020, the date on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding the options market) operated by the Stock Exchange and which is independent from and operated in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of the Company, conditionally adopted on 19 December 2019 (as amended, supplemented or otherwise modified from time to time)
"Mr. Du"	Mr. Du Xiaozhou (杜曉舟), a member of senior management of the Group, the secretary of the board of directors of Activation Group and the joint company secretary of the Company
"Mr. Lau"	Mr. Lau Kam Yiu (劉錦耀), an executive Director, the joint-chairman of the Board, the chief executive officer of the Group and a Controlling Shareholder
"Mr. Ng"	Mr. Ng Bo Sing (伍寶星), an executive Director, the joint-chairman of the Board, the chief operating officer of the Group and a Controlling Shareholder

DEFINITIONS

"Ms. Low"	Ms. Low Wei Mun (劉慧文), an executive Director and the general manager of Activation Events
"Ms. So"	Ms. So Shuk Yi Betty (蘇淑儀), the joint company secretary of the Company
"NBS Holdings"	NBS Holdings Limited, a company incorporated in the BVI with limited liability on 25 January 2007 and wholly owned by Mr. Ng
"PRC" or "China"	the People's Republic of China which, for the purposes of this annual report excludes Hong Kong, Macau and Taiwan
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of HK$0.001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules