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

2020 ANNUAL REPORT

ACTIVATION GROUP

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 *(Chairman)*
Ms. Cheung Siu Wan
Dr. Cheung Wah Keung

IP DEVELOPMENT COMMITTEE

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Ng Bo Sing *(Chairman)*
Mr. Yu Longjun
Dr. Cheung Wah Keung
Mr. Du Xiaozhou

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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

Strategic Financial Relations Limited
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COMPANY WEBSITE

www.activation-gp.com

HIGHLIGHTS OF THE YEAR

EXPERIENTIAL MARKETING



CHRISTIAN DIOR 克里斯汀·迪奥

DESIGNER OF DREAMS Exhibition

LOUIS VUITTON 路易威登

2021 Spring/Summer
Menswear Fashion Show





LANVIN 浪凡

2021 Spring/Summer
Fashion Show

HIGHLIGHTS OF THE YEAR

EXPERIENTIAL MARKETING



MERCEDES-BENZ 梅賽德奔馳

Crossover with VIRGIL ABLOH
Concept Art Show



MERCEDES-BENZ 梅賽德奔馳

G350 Launch
& Go Beyond SUV Journey

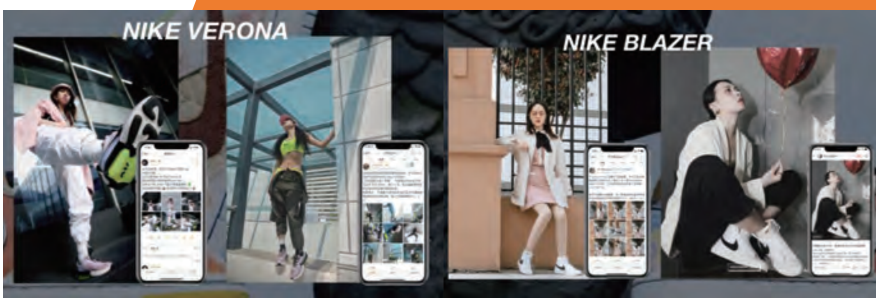

VALENTINO 華倫天奴

「RE-SIGNIFY」Exhibition

HIGHLIGHTS OF THE YEAR

DIGITAL & BRAND COMMUNICATION

AVANT PLUS
New MCN Business Segment



NIKE 耐克
Performance Marketing

L' Artisan Parfumeur 阿蒂仙之香
Social Media Setup & Maintenance

DIGITAL & BRAND COMMUNICATION

BOBBI BROWN 芭比波朗

TMALL Flagship Store Planning and Operation

MaxMara

KOL Media Buy

L'OCCITANE 歐舒丹

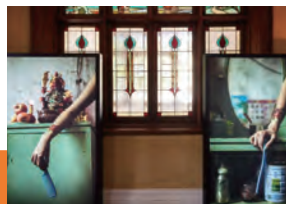
Social Media Setup & Maintenance

PUBLIC RELATIONS



STEINWAY & SONS 斯坦威

Shanghai & Xian New Store Opening



PRADA MODE 普拉達

「MIÀN」Exhibition


DELVAUX 德爾沃

Public Relations

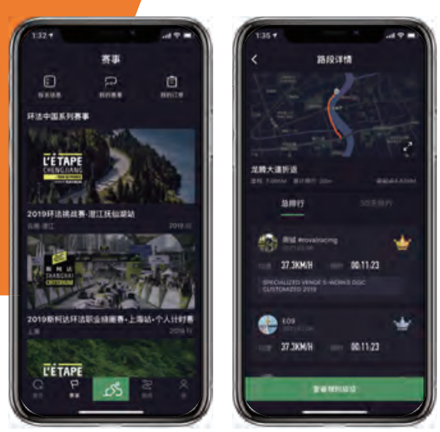
HIGHLIGHTS OF THE YEAR

IP DEVELOPMENT

Strategic Cooperation with Hurricane
FISE World Series

LaLiga
2020 El Clásico Night

IMIN APP
New Cycling APP



AWARDS AND RECOGNITIONS

COMPANY RECOGNITION

- The Most Innovative Marketing Agency in Greater China
- Most Valuable Companies in Hong Kong: Excellence in Project Management and Customer Support Services, Excellence in Branding Events and Digital Marketing
- The Community Chest: Award of Excellence
- Five economic characteristic enterprises of the year
- Shanghai Sports Industry Model Unit
- Annual Demonstration Area "Innovation Star" Award
- The Third Prize at the 4th "China Chuangyi" Entrepreneur Innovation Competition & Changning District Entrepreneur Innovation Competition

AWARDS AND RECOGNITIONS

CAMPAIGN AWARD

- ### EVENT MARKETING AWARDS

《Tiffany & Co. Vision & Virtuosity Exhibition》 Best Experiential Marketing Award
《Tiffany & Co. Vision & Virtuosity Exhibition》 Best Trade Show Award
《Kiehl's Made Better Exhibition》 Best Sustainability Award

- ### THE 20TH IAI INTERNATIONAL AWARDS

《Gaultier meets BOSIDENG》 Integrated Marketing Category Silver Award
《Campaign for the Dicos's New "Crab Burger"》 ROI Category Silver Award
《Dicos X NBA, IP integrated marketing》 Social Marketing Category Bronze Award

- ### THE 11TH GOLDEN MOUSE DIGITAL AWARDS

《Campaign for the Dicos's New "Crab Burger"》
Social Marketing Category Golden Awards, Best Marketing Effect Award
《Dicos X NBA, IP integrated marketing》
Cross-media Integration Category Silver Award

- ### THE 11TH TIGER ROAR AWARDS

《Gaultier meets BOSIDENG》
Clothing/Accessories Category Silver Award,
Integrated Marketing Category Bronze Award
《Campaign for the Dicos's New "Crab Burger"》
Integrated Marketing Excellence Award,
Food and Service Bronze Award
《Dicos X NBA, IP integrated marketing》
Media Creativity Category Gold Award,
Content Marketing Category Bronze Award

- ### "FASHION 100+" ANNUAL FASHION NEW POINTS AWARDS

"CHRISTIAN DIOR: DESIGNER OF DREAMS" Exhibition

- ### HKMA/TVB AWARDS FOR MARKETING EXCELLENCE AWARDS' TWO SPECIAL AWARDS

《WearDance by Hong Kong Ballet》
Excellence in Branding Award
& Excellence in Marketing Collaboration Award

CHAIRMAN'S STATEMENT

Dear Shareholders,

The Board (the "**Board**") of Directors (the "**Directors**") of Activation Group Holdings Limited (the "**Company**", collectively with its subsidiaries, the "**Group**") is pleased to present the consolidated results of the Group for the year ended 31 December 2020.

The Group is a leading and fast-growing integrated marketing solutions provider that principally engaged in the provision of integrated marketing solutions and intellectual property development. As a provider of integrated marketing solutions, the Group focuses on the provision of (i) experiential marketing, (ii) digital and brand communication, and (iii) public relations ("**PR**") services which mainly operates in Shanghai and Beijing with coverage in Greater China. 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 and entered into 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.

2020 is an extremely challenging year for the global and Hong Kong economies amid the COVID-19 pandemic (the "**Pandemic**") and the FY2020 results of the Company reflected the impact of the Pandemic.

OVERVIEW

During FY2020, the Group's business demonstrated a strong rebound in the second half due to the speedy recovery of the PRC's luxury market. Revenue and profit of the Group in the second half of the year were RMB386.2 million and RMB45.2 million, respectively, against revenue of RMB71.8 million and loss of RMB20.0 million in the first half of FY2020. In the first half of 2020, the Group's experiential marketing services and public relation services were adversely affected by the Pandemic as a number of events for premium and luxury brands have been put on hold or postponed. Both businesses were operated offline. On the other hand, the Group's digital and brand communication business, focusing on online operations, achieved a growth compared to the level in FY2019, and contributed 33.4% of the group's total gross profits in FY2020 which was only 22.1% in FY2019.

During FY2020, the Group's revenue was approximately RMB458.0 million (2019: RMB661.8 million) and gross profit of RMB131.7 million (2019: RMB198.1 million) was recorded. Profit attributable to equity shareholders of the Company amounted to RMB23.4 million (2019: profit of RMB30.0 million). Basic earnings per share were RMB3.05 cents (2019: earnings per share RMB4.99 cents). The Board did not recommend payment of any dividend for the FY2020 (2019: nil).

OUTLOOK AND PROSPECTS

With the rebound of luxury consumption in 2020, the Group's experiential marketing and PR business services are resuming in 2021. In the first quarter of 2021, we are receiving requests for the provision of marketing events and PR business in China and Hong Kong. In 2020, we have also signed a strategic partnership agreement with HTC Corporation (2498.TW) ("**HTC**") on virtual reality ("**VR**") application in event industry which also helps our client on their digitalisation of marketing activities. The Group is expecting a significant bounce back in 2021.

CHAIRMAN'S STATEMENT

For digital and brand communication services, besides the marketing service we provided to our clients, we have also launched three new services: (i) Activation Labs, which focus on the creativity and technology and connect offline consumers with big data system; (ii) Multi-Channel Network ("**MCN**") service (under the brand Avant Plus), under which the Group utilised its experience and resources in fashion industry and signed long-term contracts with several KOL and celebrities to help them build up their social network accounts and line up their business with clients in the fashion industry to better promote the brand and KOL at the same time; and (iii) Targeted marketing service, which was launched by the Group in 2020 in order to provide clients with one-stop service on digital marketing. These scalable businesses are expected to enlarge the Group's revenue and profit in the coming year with its large client base.

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 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 acquisition targets in companies that specialise in E-commerce solution and marketing SaaS services. 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 world-class leading integrated brand solution provider which focuses on luxury and premium brands.

Regarding its IP development business, the Group expects to resume its IP development in 2021, especially on the matches of Le Tour de France and LaLiga activities which were postponed in 2020. In addition, in 2020, the Group has signed two business cooperation agreements on IP business: (i) Cooperation agreement with FISE (the world famous X-games league under Hurrican Group) to develop the X-games matches/ground in China from 2021; and (ii) Strategic partner agreement with Jiu Shi Sports Group (one of largest state-owned sports group which owned the exclusive right to Formula 1, ATP Shanghai 1000, Shanghai Longines Global Champion Tour and other famous sports IP) to co-develop the IP owned by both parties in the PRC.

Moreover, the Group has launched a new Cycling App called "IMIN" in 2020 which targets cycling amateurs in the PRC with the aim of creating a social community and eco-system through cycling activities. In 2021, the Group is also planning to launch a LaLiga E-commerce site on Tmall and other platforms to merchandise products under the LaLiga brand in the PRC.

ACKNOWLEDGEMENT

Finally, I would like to once again express my sincere thanks to my fellow directors as well as our management team, staff, business partners and Shareholders for their unwavering support to the Company.

Lau Kam Yiu
Joint-Chairman and Chief Executive Officer

Hong Kong, 26 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the annual results of the Group for the FY2020 together with comparative figures of FY2019. These annual results have been reviewed by the Company's Audit Committee.

INDUSTRY OVERVIEW

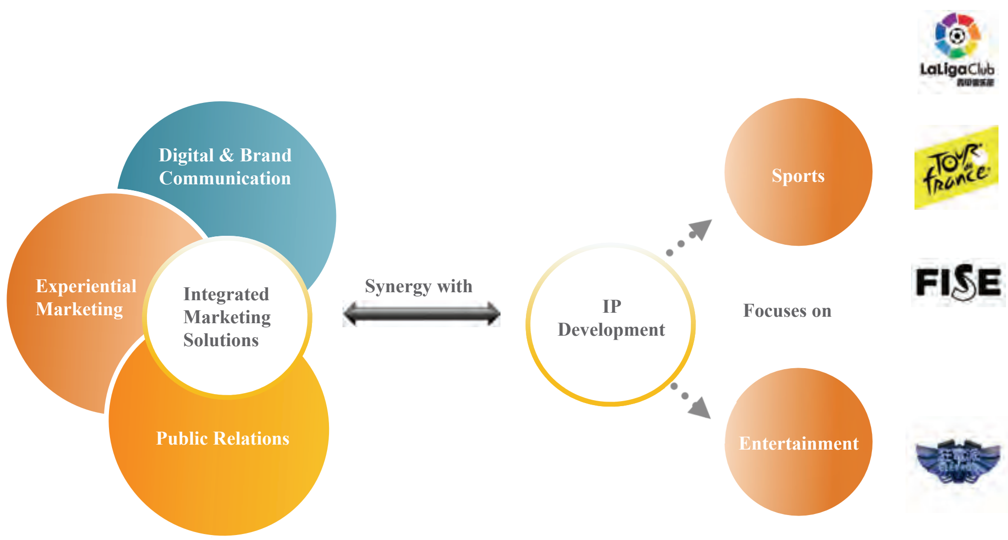
The luxury market in the PRC (i.e. the mainland market) has experienced a very difficult start in early 2020, but gradually rebounded by the end of 2020. Bain's research shows luxury consumption in PRC is expected to grow by about 48.0% in 2020, reaching nearly RMB346.0 billion, representing around 20% of the global sales. Four major engines which has driven the growth of the PRC's luxury market in 2020: accelerated return of consumption, millennial and Generation Z shoppers, continued digital trend and duty-free shopping in Hainan's outlying islands.

Marketing expenditures on the 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 in 2021 with the significant sales increase in 2020, since the marketing budget generally is planned based on the previous year's sales.

BUSINESS REVIEW

The Group is one of the leading and fast-growing integrated marketing solutions providers 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. 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 it entered into the IP Cooperation Agreements with each of LaLiga Club 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.

MANAGEMENT DISCUSSION AND ANALYSIS



In 2020, the total revenue of the Group was RMB458.0 million (2019: RMB661.8 million), representing a decrease of 30.8% compared with that for FY2019. This decrease was mainly due to the impact of the Pandemic in the first half of FY2020, but for the second half, the Group has recorded a revenue of RMB386.2 million, which is almost the same as the second half of FY2019. The gross profit was RMB131.7 million in 2020 (2019: RMB198.1 million) and the overall gross profit margin has decreased slightly from 29.9% for FY2019 to 28.8% for FY2020.

The Group recorded a net profit of RMB25.2 million for FY2020 (2019: RMB40.9 million). The decrease in net profit was mainly due to the impact of the Pandemic. The Group recorded a net loss of RMB20.0 million in the first half, but made a significant recovery with a net profit of RMB45.2 million in the second half of FY2020.

Geographical Review

Geographically, the Group's business in the mainland China in 2020 achieved revenue of RMB445.7 million (2019: RMB626.9 million), which accounted for 97.3% of the Group's total revenue in 2020 (2019: 94.7%); business in Hong Kong and Singapore achieved revenue of RMB12.3 million in 2020 (2019: RMB34.9 million), which accounted for 2.7% of the Group's total revenue in 2020 (2019: 5.3%), representing a decrease of 64.8% compared with RMB34.9 million for 2019, mainly due to the Pandemic which resulted in cancellation or postponement of public activities in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Segment Review

During FY2020, revenue of the Group's integrated marketing solutions services was RMB444.7 million (2019: RMB616.6 million) and accounted for 97.1% (2019: 93.2%) of the Group's total revenue. Profit in this segment was RMB48.2 million (2019: RMB90.8 million). The decrease in profit in this segment was mainly due to the decrease in revenue from experiential marketing and public relations services caused by the Pandemic. In terms of segments, the integrated marketing solutions segment contributed for most of the revenue in 2020, while IP development segment has only executed a few projects due to restrictions on social gathering to fight against the Pandemic. In 2020, the revenue generated from IP development segment was RMB13.3 million (2019: RMB45.2 million), representing a year-on-year decrease of 70.6%.

The main reason for the decline in revenue in 2020 was that offline events were not permitted by the government due to public health concerns. But the situation was soon reversed in the second half of 2020 due to: (1) the COVID-19 situation being controlled in the PRC; (2) the economy recovered fast and consumption was stimulated; and (3) local consumption of luxury goods increased rapidly as outbound shopping was no longer possible for Chinese consumers. Furthermore, since the overseas market and consumption were evidently impacted, most of the premium brands focus more on the China local market and allocate more budget to marketing within the PRC. Meanwhile, the revenue contribution and gross profit contribution of the Group's digital and brand communication segment had further improved, thus enhancing the Group's overall profitability.

The following table sets out the revenue of the Group by service line during FY2019 and FY2020:

	FY2020 ***RMB'000***	FY2019 *RMB'000*
Integrated marketing solutions		
Experimental marketing solutions	**311,488**	470,843
Digital and brand communication services	**118,605**	110,470
Public relations service	**14,647**	35,250
IP development		
Sports and entertainment services	**13,259**	45,211
Total:	**457,999**	661,774

Integrated Marketing Solutions Segment

(a) *Experiential Marketing*

The Group is an experiential marketing services provider to premium and luxury brands in Greater China by providing a comprehensive range of marketing solutions to our clients including event concept, event planning, productions and managements. Through projects designed, organised and managed by the Group, clients can expect to achieve significant brand building and promotional effect to mass public or targeted recipients. This kind of public activities has become more difficult to obtain approval from the government of the PRC after the outbreak of the Pandemic. In the

MANAGEMENT DISCUSSION AND ANALYSIS

second half of 2020, with the pandemic control measures, marketing events could take place in most cities in the PRC if the cities are not identified as middle/high risk area, causing the Group's experiential marketing business to recognise an increase as compared to the second half of 2019.

As a result of the reasons mentioned above, the revenue generated from such services decreased from RMB470.8 million in FY2019 to RMB311.5 million in FY2020.

(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, Douyin, Bilibili, Kuaishou, 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. Since the majority of offline marketing events cannot be held in the first half of 2020, most brands have reallocated more budgets to the online market. Since online marketing and E-commerce were highly effective during the Pandemic, the Group's clients placed a larger portion of their budget on online marketing and the Group's digital marketing service had an increased demand from clients. Despite the impact in the first half of 2020, the Group continued to recruit new staff to enhance its digital and brand communication services. This trend is expected to continue in 2021. The Group will invest more resources in these services to seize the development opportunities.

In 2020, the Group launched three new services in digital marketing. For digital and communication services, besides the marketing service the Group provided to its clients, it has also launched three new services: (i) Activation Labs, which focus on creativity and technology to connect offline consumers with the big data system; (ii) MCN service (under the brand Avant Plus), under which the Group utilised its experience and resources in fashion industry and signed long-term contracts with several KOL and celebrities to help them build up their social network account and line up their business with clients in the fashion industry to better promote the brand and KOL at the same time; and (iii) Targeted marketing service, which was launched by the Group in 2020 in order to provide clients with one-stop service on digital marketing. These scalable businesses are expected to enlarge the Group's revenue and profit in the coming year with its large client base.

As a result of the reasons mentioned above, the revenue generated from such services increased from RMB110.5 million in 2019 to RMB118.6 million in 2020. Despite the impact of the Pandemic, the Group was able to maintain a reasonable gross profit of RMB44.0 million in FY2020, compared to RMB43.7 million in FY2019.

(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. Since these services primarily take place offline, business from these services experienced a decline in 2020.

The revenue generated from such services in 2020 was RMB14.6 million (2019: RMB35.3 million).

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. The Group's IP development activities had been affected by the outbreak of the Pandemic in 2020. As sports matches and activities were considered to be a risk of spreading the Pandemic, the government of the PRC had been very cautious on these events and there were restrictions in holding large scale public activities. The Group expects to resume the IP development in 2021, especially on the matches of Le Tour de France and LaLiga Club activities which were postponed in 2020. The Group has signed two business cooperation agreements on IP business, namely (i) Cooperation with FISE (the world famous X-games league under Hurrican Group) to develop the X-games matches/ground in China from 2021; and (ii) Strategic partner agreement with Jiu Shi Sports Group (one of largest state-owned sports group which owned the exclusive right to Formula 1, ATP Shanghai 1000, Shanghai Longines Global Champion Tour and other famous sports IP) to co-develop the IP owned by both parties.

Moreover, the Group has launched a new Cycling App called "IMIN" in 2020 which targets cycling amateurs in the PRC with the aim of creating a social community and eco-system through cycling activities. In 2021, the Group is also planning to launch a LaLiga Club E-commerce site on Tmall and other platforms to merchandise products under the LaLiga Club brand in the PRC.

As a result of the factors mentioned above, the revenue generated in this segment was RMB13.3 million in 2020 (2019: RMB45.2 million). Going forward, the Group is planning to host a number of IP development projects in 2021 and these will strengthen the sustainability of the IP development segment of the Group.

MARKET REVIEW

In the first half of 2020, the Pandemic continuously 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 global spread of the Pandemic without showing any sign of recovery will greatly dampen investors' and consumers' confidence. Financial markets and global economic activities have been in turmoil due to the Pandemic, which has curbed consumer demand for luxury goods within a short period of time. The Pandemic had also caused disruptions on outdoor sporting events.

Fortunately, various countries have introduced a number of measures to prevent the spread of the Pandemic, as well as certain large-scale monetary and fiscal stimulus packages to encourage consumption and guarantee employment. The economy shall 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

1. **Capture the opportunities of the market after the Pandemic**

   The offline marketing market is severely hit by the Pandemic in the first half of 2020. Some of the small marketing agencies had to close down their business in 2020, and most market players were affected because of lack of cashflow. While the Pandemic is a negative event for the Group, it is also an opportunity to increase market share, hire more talents and strengthen the team after the Pandemic.

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

   The digital economy is emerging in the PRC. With the outbreak of the Pandemic 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, 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 E-commerce solution and SaaS companies.

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

   The increasing health awareness has increased 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 sports 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 29.6%, from RMB463.6 million for FY2019 to RMB326.3 million for FY2020. Overall speaking, the decrease in the Group's cost of sales was mainly caused by the decrease in revenue. The fluctuations in the cost of sales components were mainly dependent on the types and mix of projects carried out by the Group. The cost of sales components mainly includes production cost, third party service 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 decreased from RMB198.1 million in FY2019 to RMB131.7 million in FY2020. The Group's overall gross profit margin decreased from 29.9% for FY2019 to 28.8% for FY2020. The decrease in gross profit margin was mainly due to the marketing budget from clients had scaled down in FY2020 from the impact of the Pandemic.

Other income and gains

The Group's other income and gains decreased from RMB19.1 million in FY2019 to RMB13.2 million in FY2020. The decrease in other income and gains was mainly due to the one off payment of RMB8.0 million received by the Group as a result of a court judgment granted in favour of the Group in FY2019.

Selling and distribution expenses

The Group's selling and distribution expenses decreased from RMB76.9 million in FY2019 to RMB61.1 million in FY2020. Such decrease was primarily due to the decrease in staff cost, which was in line with the decrease in revenue.

General and administrative expenses

The Group's general and administrative expenses mainly include staff cost, rental cost and third party professional fees. General and administrative expenses decreased from RMB68.2 million in FY2019 to RMB41.6 million in FY2020. Such decrease was due to the decrease in staff costs to alleviate the impact of the Pandemic and the decrease in listing expenses incurred during FY2020.

Other expenses, net

The Group's expenses, recorded a net increase from RMB0.4 million in FY2019 to RMB0.6 million for FY2020. The increase in other expenses was mainly due to the compensation fee paid to an event venue supplier.

Finance costs

The Group's finance costs decreased from RMB4.5 million in FY2019 to RMB2.5 million in FY2020 due to the decrease in interest paid for bank and other borrowings, which have been repaid in full during FY2020.

Net profit

The Group recorded a net profit of RMB25.2 million in FY2020 (FY2019: net profit of RMB40.9 million). The decrease in net profit was mainly due to the decrease in revenue.

DIVIDEND

The Board does not recommend the payment of any final dividend for FY2020.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

Cash and cash equivalents

As at 31 December 2020, the Group's cash and cash equivalents amounted to approximately RMB302.9 million (31 December 2019: RMB129.5 million).

Borrowing and charges on the Group's assets

As at 31 December 2020, the Group did not have any interest-bearing borrowing (31 December 2019: RMB74.8 million). The decrease in borrowings was mainly due to repayments of all loans after the global offering.

Gearing ratio

The gearing ratio as at 31 December 2020 (calculated based on the total bank and other borrowings over total equity as at the end of the corresponding year), was nil as compared with 103.9% as at 31 December 2019. The decrease in the gearing ratio was mainly due to the one-off loans 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 and increased the Group's current liabilities as at 31 December 2019. These loans have been repaid in full during FY2020.

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 increased from RMB170.3 million as at 31 December 2019 to RMB222.7 million as at 31 December 2020; and the trade payables of the Group decreased from RMB149.7 million as at 31 December 2019 to RMB 143.5 million as at 31 December 2020. The increase in trade receivables was mainly due to several large scale events in November and December in 2020. Decrease in trade payables were mainly due to decrease in costs of sales.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2020.

Acquisition and disposal of subsidiary and associated companies

The Group had no material acquisitions and disposals of subsidiaries and associated companies during FY2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Exchange Exposure

Most of the Group's income and expenditures are denominated in Renminbi, being the functional currency of the Group, and hence, the Group does not have any material foreign exchange exposures.

The Group will continue 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 2020, the total number of employees of the Group was 274 (2019: 343 employees) and the emoluments inclusive of directors' were approximately RMB75.3 million (2019: 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.

FIVE-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, 2019 and 2020:

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 annual report of the Company dated 31 December 2019.

	Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
REVENUE	**457,999**	661,774	684,335	492,466	361,814
Profit before tax	**38,551**	66,866	65,260	42,466	52,662
Income tax expense	**(13,321)**	(25,995)	(21,743)	(17,007)	(14,173)
Profit attributable to owners of the parent	**23,423**	29,969	37,114	20,961	32,452

	As at 31 December				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Total assets	**588,602**	359,679	405,114	340,940	238,584
Total liabilities	**(215,765)**	(287,650)	(262,512)	(202,061)	(116,478)
Net assets	**372,837**	72,029	142,602	138,879	122,106
Equity attributable to owners of the parent	**359,929**	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.

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	45	Executive Director, joint-chairman and chief executive officer	16 September 2019
Mr. Ng Bo Sing	40	Executive Director, joint-chairman and chief operating officer	27 February 2019
Mr. Chan Wai Bun	49	Executive Director	16 September 2019
Ms. Low Wei Mun	57	Executive Director	16 September 2019
Ms. Cheung Siu Wan	54	Independent non-executive Director	19 December 2019
Mr. Yu Longjun	35	Independent non-executive Director	19 December 2019
Dr. Cheung Wah Keung	60	Independent non-executive Director	19 December 2019

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Kam Yiu (劉錦耀), aged 45, 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 22 years of experience in the marketing industry.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng Bo Sing（伍寶星）, aged 40, 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 11 years of experience in management.

Mr. Chan Wai Bun（陳偉彬）, aged 49, 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 24 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 57, 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 19 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 54, 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 24 years of experience in taxation advisory. She is currently the independent non-executive director of Strong Petrochemical Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 852). She was the independent director of Activation Group from 2017 to 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 35, 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 8 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 60, 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 on the Main Board of the Stock Exchange, 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 45, 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 21 years of experience in sales and marketing industry and joined the Group in 2014.

Mr. Tu Hung-Wei (涂弘煒), aged 47, 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 18 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 48, 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 46, 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 20 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 45, 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 22 years of experiences in project management. He joined the Group in 2014 as the general manager of Activation Digital. Mr Choi was also appointed by Cool Link (Holdings) Limited (08491.HK) as non-executive director and vice chairman of the board since January 2021.

Ms. Cheng Yuen Yee June（鄭婉宜）, aged 46, 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 20 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 50, 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 21 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 36, 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 9 years of experience in investment management.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Mr. Du Xiaozhou（杜曉舟）, aged 36, is one of the Company's joint company secretaries. He was appointed as our company secretary in 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 in 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

The Board is pleased to present the corporate governance report of the Company for the FY2020.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operations are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all Shareholders. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules ("**CG Code**").

Save as disclosed herein, the Company has been in compliance with the code provisions set out in the CG Code.

THE BOARD

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference.

Delegation of Management Function

The major powers and functions of the Board include, but are not limited to, convening the general meetings, reporting its work at the general meetings, implementing the resolutions passed at the general meetings, considering and approving the operating plans and investment plans of the Company, formulating the Company's strategic development plans, formulating annual financial budgets and final accounts plans, formulating profit distribution plans and plans on making up losses, and exercising other powers and functions as conferred by the Memorandum and Articles of Association.

All Directors have full and timely access to all the information of the Company and advices from the joint company secretaries and senior management of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company. The Board is responsible for making decision with respect to the strategic plans, major investment decisions and other significant operational matters of the Company, while responsibilities with respect to the implementation of the decisions of the Board, day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to entering into any significant transactions.

CORPORATE GOVERNANCE REPORT

Composition of the Board

The Board currently comprises seven Directors, including four executive Directors and three independent non-executive Directors. A list of members of the Board, their positions and dates of appointment, and each Director's biography have been set out in the section headed "Biographical Information of Directors and Senior Management". All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times. Save as disclosed in this annual report, there is no relationship (including financial, business, family or other material/ relevant relationship(s)) between the Directors.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and performed by different individuals.

Up to the date of this annual report, the roles of chairman and chief executive officer of the Company were not separated and Mr. Lau Kam Yiu is currently taking the roles of joint-chairman of the Board and chief executive officer of the Group. 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.

Independent Non-executive Directors

For the FY2020, the Company has three independent non-executive Directors in compliance with the Rules 3.10(1) and 3.10(2) of the Listing Rules, with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise. The number of independent non-executive Directors accounts for one third of the number of the Board members.

According to the Rule 3.13 of Listing Rules, the independent non-executive Directors have provided confirmations to the Company regarding their independence during FY2020. Based on the confirmations of the independent non-executive Directors, the Company considers each of them to be independent during FY2020.

Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 of the CG Code states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

CORPORATE GOVERNANCE REPORT

The procedures and process of appointment, re-election and removal of Directors are laid down in the Memorandum and Articles of Association.

Each of the executive Directors have entered into a service contract with the Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from 19 December 2019 or until the third annual general meeting of the Company since the Listing Date (whichever ends earlier). Either party has the right to give not less than three months' written notice to terminate the agreement.

Each of Ms. Cheung Siu Wan, Mr. Yu Longjun and Dr. Cheung Wah Keung, being the independent non-executive Directors, has entered into an appointment letter in December 2019 with the Company with an initial term for three years commencing from 19 December 2019 which may be terminated by either party by giving not less than three months' written notice.

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. Any director appointed as an addition to the existing Board shall hold office only until the following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with Article 105(A) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

Accordingly, Ms. Low Wei Mun, Ms. Cheung Siu Wan and Mr. Yu Longjun will retire by rotation at the AGM and, being eligible, offer themselves for re-election.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct for the Directors to conduct securities transactions. After making specific enquiry to all the Directors, all the Directors confirmed that they have complied with the required standard set out in the Model Code during FY2020.

CORPORATE GOVERNANCE REPORT

Training and Continuous Professional Development of Directors

Each newly appointed director shall be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The joint company secretaries of the Company have from time to time updated and provided written training materials relating to the roles, functions and duties of a director.

During FY2020, all Directors has attended training session arranged by the Company which was provided by the professional advisers relating to the topics of the duties and continuing obligations of directors in listed companies, notifiable transactions and update on the Listing Rules.

Herebelow is a summary of training received by the Directors for FY2020:

Name of Directors	Training
Mr. Lau Kam Yiu	✓
Mr. Ng Bo Sing	✓
Mr. Chan Wai Bun	✓
Ms. Low Wei Mun	✓
Ms. Cheung Siu Wan	✓
Mr. Yu Longjun	✓
Dr. Cheung Wah Keung	✓

Liability Insurance of Directors and Senior Management

The Company has purchased insurances for all Directors and members of the senior management to minimize risks that may be incurred in their normal performance of responsibilities.

Directors' Responsibility on Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for FY2020.

The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and relevant statutory and regulatory requirements and applicable accounting standards are complied with.

The senior management provides monthly unaudited management accounts and such accompanying explanation and information as necessary to the Board members to enable them to make an informed assessment for approving the financial statements.

CORPORATE GOVERNANCE REPORT

Board Meetings and General Meeting

During FY2020, the Company held 4 Board meetings in total and two general meetings. The Company has fully complied with the requirement under the code provision A.1.1 of the CG Code to convene Board meetings at least four times a year at approximately quarterly intervals.

The attendance of the above meetings by each Director is as follows:

Name of Directors	2020 Annual General Meeting attended / No. of eligible to attend	Extraordinary General Meeting attended / No. of eligible to attend	Board meeting attended / No. of eligible to attend
Mr. Lau Kam Yiu	1/1	1/1	4/4
Mr. Ng Bo Sing	1/1	1/1	4/4
Mr. Chan Wai Bun	1/1	1/1	4/4
Ms. Low Wei Mun	1/1	1/1	4/4
Ms. Cheung Siu Wan	1/1	1/1	4/4
Mr. Yu Longjun	1/1	1/1	4/4
Dr. Cheung Wah Keung	1/1	1/1	4/4

Notices for all regular Board meetings and the agendas and accompanying Board papers will be given to all Directors at least three days before the meetings in order that they have sufficient time to review the papers. Minutes of meetings are kept by the joint company secretary with copies circulated to all Directors or Board committee members for information and records. Directors who have conflicts of interest in a board resolution have abstained from voting for that resolution.

Minutes of the Board meetings and Board committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised by the Directors/Board committee members. Draft and final versions of the minutes of each Board meeting and Board committee meeting are sent to the Directors/Board committee members for comments and records respectively within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors. All Directors shall obtain information related to the Board resolutions in a comprehensive and timely manner. Any Director can seek independent professional advice at the Company's expense after making reasonable request to the Board.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Ms. Cheung Siu Wan, Mr. Yu Longjun and Dr. Cheung Wah Keung. Ms. Cheung Siu Wan, who holds the appropriate professional qualifications as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules, serves as the chairlady of the Audit Committee.

The primary duties of the Audit Committee are:

- to propose the appointment or dismissal of the external auditor of the Company, and approve the remuneration and terms of engagement of the external auditor;
- to discuss with the external auditor the nature and scope of the audit and relevant reporting obligations and to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to monitor integrity of the Company's financial statements, annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant reporting judgments contained therein;
- to review the Company's financial controls, risk management and internal control systems, discuss the risk management and internal control systems with the senior management;
- to review the Company's financial and accounting policies and practices; and
- other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares are listed and the requirements of the Articles of Association, and as authorized by the Board.

During FY2020, the Audit Committee held two meetings, at which the Group's annual results for 2019, interim results for 2020 and the relevant accounting principles and practices adopted by the Group were reviewed and discussed with the external auditors.

Code provision C.3.3(e)(i) of the CG Code provides that the terms of reference of the Audit Committee shall have the terms that the members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet at least twice a year with the auditor. The Company has included such terms in relevant terms of reference, and thus complied with the Code provision C.3.3(e)(i) of the CG Code during FY2020.

CORPORATE GOVERNANCE REPORT

The attendance of the meetings by each member is as follows:

Name of Directors	**Attended / No. of meetings**
Ms. Cheung Siu Wan	2/2
Mr. Yu Longjun	2/2
Dr. Cheung Wah Keung	2/2

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee consists of two independent non-executive Directors, namely Ms. Cheung Siu Wan, Mr. Yu Longjun, and one executive Director, namely Mr. Lau Kam Yiu. Ms. Cheung Siu Wan serves as the chairperson of the Remuneration Committee.

The primary duties of the Remuneration Committee are:

- to make recommendations to the Board on the Company's remuneration policy and structure for the Directors and senior management and on the establishment of formal and transparent procedures for developing remuneration policy;
- to review the remuneration of individual executive Directors, senior management and non-executive Directors;
- to review the Company's policy on expense reimbursements for the Directors and senior management; and
- other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares are listed and the requirements of the Articles of Association, and as authorized by the Board.

During FY2020, the Remuneration Committee held two meetings, at which the performance and remuneration of the executive Directors and senior management of the Company was reviewed; and detailed rules of the Share Award Plan was formulated and the trustees of the Share Award Scheme were appointed was approved.

The attendance of the meetings by each member during FY2020 is as follows:

Name of Directors	**Attended / No. of meetings**
Ms. Cheung Siu Wan	2/2
Mr. Yu Longjun	2/2
Mr. Lau Kam Yiu	2/2

CORPORATE GOVERNANCE REPORT

Pursuant to the code B.1.5 of the CG Code, the following table sets forth the total remuneration of the Directors and members of senior management categorized by remuneration group for FY2020:

Group	**Remuneration *(HK$)***	**No. of individuals**
1	0 — HK$1,000,000	10
2	HK$1,000,001 — HK$2,000,000	4
3	HK$2,000,001 — HK$2,500,000	1

Notes:

Group 1 includes 3 Directors and 7 members of senior management of the Company.
Group 2 includes 3 Directors and 1 member of senior management of the Company.
Group 3 includes 1 Director of the Company.

Further details of the Directors' emoluments and the top five highest paid employees required to be disclosed under Appendix 16 of the Listing Rules are set out in notes 8 and 9 to the financial statements.

Nomination Committee

The Nomination Committee consists of 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 currently serves as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are:

- to formulate procedures and standards for the election of Directors and senior management, and make recommendations to the Board on the proposed procedures and standards;
- to make recommendations to the Board on the appointment or re-appointment of Directors and succession plans for Directors, in particular the chairman and the chief executive officer;
- to assess the independence of independent non-executive Directors;
- to preliminarily examine the eligibility of candidates for directorship;
- to recommend to the Board concerning the membership of the Company's audit and remuneration committees, in consultation with the chairmen of those committees; and
- other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares are listed and the requirements of the Articles of Association, and as authorized by the Board.

During FY2020, the Nomination Committee held one meeting, at which matters in relation to composition of the Board, the independence of the independent non-executive Directors and retirement by rotation of Directors were discussed.

CORPORATE GOVERNANCE REPORT

According to the Nomination Policy adopted by Company on 19 December 2019, in evaluating and selecting any candidate for directorship, the Nomination Committee would consider the following criteria, including, among other things, character and integrity, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy), 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 set out above 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) by order of preference based on the needs of the Company and reference check of each candidate.

The attendance of the meeting by each member during FY2020 is as follows:

Name of Directors	**Attended / No. of meetings**
Mr. Lau Kam Yiu	1/1
Mr. Yu Longjun	1/1
Dr. Cheung Wah Keung	1/1

The Board has adopted the Board Diversity Policy. In designing the Board's composition, the Nomination Committee has considered Board diversity from a number of aspects, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Company considers the Board possesses a good gender diversity with two women on the Board. It also believes the Board has a well-balanced 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.

Corporate Governance Committee

The Corporate Governance Committee consists of one executive Director, Mr. Ng Bo Sing; and two independent non-executive Directors, namely Ms. Cheung Siu Wan and Dr. Cheung Wah Keung. Mr. Ng Bo Sing serves as the chairman of the Corporate Governance Committee.

The primary duties of the Corporate Governance Committee are:

- to formulate and review the Company's policies and practices on corporate governance and make recommendations to the Board;

- to review and monitor the training and continuous professional development of Directors and senior management;

CORPORATE GOVERNANCE REPORT

- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- to review the Company's compliance with the Listing Rules and disclosure in the Corporate Governance Report.

JOINT COMPANY SECRETARIES

Mr. Du Xiaozhou is one of the joint company secretaries of the Company and is a member of Group senior management, is responsible for the investment and finance management of the Group.

Ms. So Shuk Yi Betty, of SWCS Corporate Services Group (Hong Kong) Limited, has been engaged by the Company as a joint company secretary of the Company, and is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

During FY2020, the joint company secretaries of the Company, Mr. Du Xiaozhou and Ms. So Shuk Yi Betty, 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. They had complied with the requirements on taking no less than 15 hours of relevant professional training as set out in Rule 3.29 of the Listing Rules.

AUDITOR

Financial statements contained in this report have been audited by Ernst & Young. Service fees which shall be paid by the Company to Ernst & Young for the year ended 31 December 2020 amounted to HK$2.1 million. The following table sets out the service provided by Ernst & Young and the fee payable to them:

Service rendered	**Fees payable *(HK$ million)***
Audit service	1.6
Non-audit services	0.5
Total	2.1

The statement of the external auditor of the Company about its reporting responsibilities for the Consolidated Financial Statements is set out in the "Independent Auditor's Report" on pages 89 to 93.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Group has established a risk management policy which sets out the process of identification, evaluation and management of the principal risks affecting the business.

1. Each division is responsible for identifying and assessing principal risks within its divisions on a quarterly basis and establishing mitigation plans to manage the risks identified.

2. The management is responsible for overseeing the Group's risk management and internal control activities, attending quarterly meetings with each division to ensure principal risks are properly managed, and new or changing risks are identified and documented.

3. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal control systems.

The Group has maintained internal control guidance and procedures on the Group's operational cycles relating to revenue, subcontract, purchase and expenditure and human resources etc., to ensure proper accounting records are kept so that reliable financial reporting can be provided, the effectiveness and efficiency of operation can be achieved, and the compliance with applicable laws and regulations and safeguarding of assets can be maintained. These systems are designed to provide reasonable protection against errors, losses and fraud. The Company does not establish a standalone internal audit department; however, the Board has put in place adequate measures to perform the internal audit function at different aspects of the Group.

The Company has engaged R & T Corporate Services Limited to conduct a review on the effectiveness of the internal controls of the Group for the year ended 31 December 2020. The review covered certain operational procedures and included recommendations for improving and strengthening the internal control system. No significant area of concern that may affect the financial, operational, compliance, control and risk management of the Group has been identified. The Board has conducted a review of the effectiveness of the internal control system of the Group and is satisfied that the Group has complied with the Code in respect of internal control from the date of last annual report to the date of this annual report.

Regular meetings were held between the executive Directors and senior management to review and monitor the business and financial performance against the targets, the progress of certification and contract receipts from the customers, the efficiency in the use of the Group's resources in comparison to the budgets, and the operational matters to ensure the Group has complied with the regulations that have material impact to the Group's business. The aim is to enhance the communication and accountability of the Directors and management so that significant strategic, financial, operational and compliance risks or potential deviations are timely identified and dealt with in proper manner, which significant issues are reported back to the Board for their attention.

CORPORATE GOVERNANCE REPORT

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 Articles of Association. 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

INVESTOR RELATIONS

General Meetings and Shareholders' Rights

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year and shall specify the meetings as such in the notices calling them. The extraordinary general meetings are convened irregularly.

In accordance with the Articles of Association, an extraordinary general meeting shall be convened either by the Board or on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or any one of the joint company secretaries for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

CORPORATE GOVERNANCE REPORT

There are no provisions in the Articles of Association or in the Companies Law of the Cayman Islands for putting forward proposals of new resolutions by Shareholders at general meetings. Shareholder(s) who wish to move a resolution may request the Company to convene an extraordinary general meeting in accordance with the procedures set out in the preceding paragraph. For proposing a person for election as a Director, please refer to the "Procedures for Shareholders to Nominate a Person for Election as a Director" posted on the Company's website.

Communication with Shareholders and Investors

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

To promote effective communication, up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available in the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.activation-gp.com) for public access.

The general meetings of the Company provide a forum and an important channel for communication between the Board and the Shareholders. The chairmen of the Board as well as chairmen of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, are available normally at the annual general meetings and other relevant shareholder meetings to answer questions. Shareholders are also encouraged to attend general meetings held by the Company and are invited to express their views and raise questions thereat.

Shareholders should direct their inquiries about their shareholdings to Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong. Investors may also write to the Company at its principal place of business in Hong Kong or China for any enquiries.

The Company sets out the following contact details for Shareholders to communicate with the Company:

Mailing 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.

AMENDMENTS TO CONSTITUTIONAL DOCUMENT

During the FY2020, a special resolution was proposed and passed by the shareholders at the Company's extraordinary general meeting held on 29 September 2020 for the amendment to the Articles of Association to specify the proceedings of the Board for certain matters. The new set of Articles of Association is available on the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for FY2020.

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 and intellectual property development. The Group focuses on the provision of (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 FY2020 are set out on pages 94 to 181 of this annual report.

DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for FY2020.

RESERVES

Details of the movement in the reserves of the Group and of the Company during FY2020 are set out on page 99 of this annual report.

DISTRIBUTABLE RESERVES

The Company had no retained profit available for distribution as at 31 December 2020.

BUSINESS REVIEW

A review and discussion of the Group's business during FY2020 is set out 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, clients 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 FY2020 are set out in note 27 to the consolidated financial statements.

CHARITABLE DONATIONS

During FY2020, the Group has made HK$1.0 million charity donations to The Community Chest.

REPORT OF THE DIRECTORS

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During FY2020, the Company exercised its powers under the general mandate granted by the shareholders of the Company to the Board to repurchase the Shares granted by the shareholders of the Company to the Board, which shall expire on the conclusion of the next annual general meeting of the Company, and repurchased a total of 39,164,000 Shares on the Stock Exchange at an aggregate consideration of HK$34,214,100. As at the Latest Practicable Date, all the Shares repurchased in 2020 were subsequently cancelled.

The Board considers that the then trading price of the Shares did not reflect their intrinsic value and the business prospects as perceived by investors and that it presented good opportunities for the Company to repurchase Shares. The repurchases reflect the confidence of the Board and the management team in the long-term strategy and growth of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during FY2020.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 31 May 2021 to Thursday, 3 June 2021, 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 2021 annual general meeting. In order to be eligible to attend and vote at the 2021 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 Friday, 28 May 2021.

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 FY2020 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.

REPORT OF THE DIRECTORS

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 16 January 2020. As disclosed in the allotment results announcement of the Company dated 15 January 2020, the net proceeds from the global offering were approximately HK$345.0 million.

On 20 August 2020, the Board has resolved to change the use of the unutilised net proceeds such that approximately HK$224.5 million will be reallocated for the capital commitment required for the establishment of a partnership after due consideration on the current business environment and development needs of the Group. Please refer to the announcement of the Company dated 20 August 2020 for further details. The following table sets out the breakdown on the revised utilisation of net proceeds.

	Original allocation of Net Proceeds *HK$ million*	**Unutilised Net Proceeds as at 30 June 2020** *HK$ million*	**Revised allocation of intended use of Net Proceeds** *HK$ million*	**Utilised Net Proceeds up to 31 December 2020** *HK$ million*	**Unutilised Net Proceeds as at 31 December 2020** *HK$ million*
Develop and expand the existing business of integrated marketing solutions and IP development	192.8	188.1	81.1*	36.3	44.8
Cash reserve for strategic investment funds for suitable cooperation or investment opportunities	118.0	118.0	5.2	0.0	5.2
General working capital and other general corporate purpose	34.2	0.0	34.2**	34.2	0.0
Capital commitment required for the establishment of the Partnership with 上海雙創投資管理有限公司 (Shanghai Innovital Capital Investment Management Co., Ltd) and 上海雙創科技投資中心(有限合伙)(Shanghai Innovital Technology Capital (Limited Partnership))	—	—	224.5	0.0	224.5
Total	**345.0**	**306.1**	**345.0**	**70.5**	**274.5**

* HK$6 million out of HK$81.1 million had been utilised before the revised utilisation of net proceeds announcement on 20 August 2020.

** HK$34.2 million out of HK$34.2 million had been utilised before the revised utilisation of net proceeds announcement on 20 August 2020.

As at 31 December 2020, the Company had utilised HK$70.5 million of net proceeds. The Company is expected to utilise all unutilised amounts within the next 2 years.

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 24 to 28 in the section headed "Profile of Directors and Senior Management" in this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in this annual report, 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 2020 or at any time during FY2020.

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 FY2020 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 FY2020 or at the end of the year.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as 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 FY2020.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the Directors and senior management of the Group are determined 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 FY2020, 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 FY2020.

Save as disclosed above, no other payments have been made or are payable, for FY2020, by the Group to or on behalf of any of the Directors.

NON-COMPETE UNDERTAKING

To protect the group from any potential or actual conflict of interest and competition, 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.

Each of the Covenantors has confirmed in writing to the Company of his/its compliance with the Non-Compete Undertaking during FY2020.

The independent non-executive Directors have reviewed the Non-Compete Undertaking and confirmed that no Covenantor had beached the Non-Compete Undertaking during FY2020.

REPORT OF THE DIRECTORS

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.

Save as 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

Save for 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 FY2020.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as set out below, the Company has not entered into any equity-linked agreement in FY2020.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during FY2020.

LOAN AND GUARANTEE

During FY2020, 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 31 December 2020, 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 as at 31 December 2020**
Mr. Ng	Interest of a controlled corporation *(Note 2)*	117,669,156 Shares (L)	15.45%
Mr. Lau	Interest of a controlled corporation *(Note 3)*	154,413,522 Shares (L)	20.27%
Ms. Low	Interest of a controlled corporation *(Note 4)*	76,695,746 Shares (L)	10.07%

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 76,695,746 Shares comprise (1) 42,929,466 Shares held by Activation One which is ultimately controlled by Ms. Low through Step Mind Enterprises Limited; and (2) 33,766,280 Shares related to the share buyback agreement entered between Innovital Growth Ltd ("**Innovital**") and Activation One dated 16 July 2020, pursuant to which a put option was granted to Innovital. Upon the exercise of such put option, Activation One shall sell 33,766,280 Shares currently owned by Activation One which were to be sold by Activation One to Innovital pursuant to a share sale agreement entered into between the same parties on 16 July 2020.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

To the best knowledge and belief of the Directors, as at 31 December 2020, 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 as at 31 December 2020**
Activation Investment	Beneficial owner *(Note 2)*	117,669,156 Shares (L)	15.45%
NBS Holdings	Interest of a controlled corporation *(Note 2)*	117,669,156 Shares (L)	15.45%
Chung Wing Ting（鍾穎婷）	Interest of spouse *(Note 3)*	117,669,156 Shares (L)	15.45%
Aurora Activation	Beneficial owner *(Note 4)*	154,413,522 Shares (L)	20.27%
Dashing Fortune	Interest of a controlled corporation *(Note 4)*	154,413,522 Shares (L)	20.27%
Li Meixuan（李美璇）	Interest of spouse *(Note 5)*	154,413,522 Shares (L)	20.27%
Brightly Sky	Beneficial owner *(Note 6)*	246,930,714 Shares (L)	32.41%
ACT Partners	Interest of a controlled corporation *(Note 6)*	246,930,714 Shares (L)	32.41%
ACT Holdings	Interest of a controlled corporation *(Note 6)*	246,930,714 Shares (L)	32.41%
Tricor Trust (Hong Kong) Limited	Trustee *(Note 6)*	246,930,714 Shares (L)	32.41%
Aide Zhongxin	Beneficial owner	61,014,906 Shares (L)	8.01%

REPORT OF THE DIRECTORS

Name of Shareholders	Capacity/nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding as at 31 December 2020
Activation One	Beneficial owner *(Note 7)*	76,695,746 Shares (L)	10.07%
Step Mind Enterprises Limited	Interest of a controlled corporation *(Note 7)*	76,695,746 Shares (L)	10.07%

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 246,930,714 Shares comprise (1) 169,430,994 Shares held by Brightly Sky, which is wholly owned by ACT Partners; (2) 77,499,720 Shares related to the share buyback agreement entered between Innovital and Brightly Sky dated 16 July 2020, pursuant to which a put option was granted to Innovital. Upon the exercise of such put option, Brightly Sky shall be required to sell 77,499,720 Shares currently owned by Brightly Sky which were to be sold by Brightly Sky to Innovital pursuant to a share sale agreement entered into between the same parties on 16 July 2020.

   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. Tricor Trust (Hong Kong) Limited is the trustee of the trust. Under the SFO, ACT Partners, ACT Holdings and Tricor Trust (Hong Kong) Limited are deemed to be interested in the Shares held by Brightly Sky.

7. These 76,695,746 Shares comprises (1) 42,929,466 Shares held by Activation One which is ultimately controlled by Ms. Low through Step Mind Enterprises Limited; and (2) 33,766,280 Shares related to the share buyback agreement entered between Innovital and Activation One Limited dated 16 July 2020, pursuant to which a put option was granted to Innovital. Upon the exercise of such put option, Activation One shall sell 33,766,280 Shares currently owned by Activation One which were to be sold by Activation One to Innovital as per a share transfer agreement entered into between the same parties on 16 July 2020.

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 to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Share Option Scheme will provide the selected participants an opportunity to have a personal stake in the Company with the view of achieving the following objectives:

(i) motivating the selected 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 selected 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

SHARE AWARD PLAN

The share award plan of the Company ("**Share Award Plan**") was approved and adopted by the Board on 30 March 2020 ("**Adoption Date**").

The Share Award Plan does not constitute a share option scheme or an arrangement involving the grant of options to participants over new Shares or other new securities of the Company within the meaning of Chapter 17 of the Listing Rules. Please refer to the announcement of the Company dated 30 March 2020.

Purposes and Objectives

The objectives of the Share Award Plan are to recognise and reward the contributions of the employees and give incentives thereto in order to retain them for the continuous operation and development of the Group, as well as to attract suitable personnel for further development of the Group.

Administration

The Share Award Plan will be subject to the administration of the Board and the trustee in accordance with the terms.

The trustee(s) ("**Trustee**") appointed by the Company for the purpose of the trust(s) (the "**Trust(s)**") constituted by the trust deed(s) to service the Share Award Plan will hold the Shares and the income derived therefrom (if any) in accordance with the Share Award Plan and subject to the terms of the trust deed to be executed by the Company.

Duration

The Share Award Plan will be valid and effective for a term of 10 years commencing from the Adoption Date.

Maximum Limit

Under the Share Award Plan, the Trustee shall, during the trust period, hold and maintain a pool of Shares (the "**Share Pool**"), out of which the Trustee shall set aside and distribute to Selected Participants (as defined below) upon vesting of the awards granted under the Share Award Plan. For that purpose, the Trustee may purchase the Shares on-market or off-market, or by way of subscription of new Shares. The maximum number of shares to be subscribed for and/or purchased by the Trustees shall not exceed 15% of the total number of shares of the Company in issue as at the Adoption Date.

REPORT OF THE DIRECTORS

Eligible Persons for the Share Award Plan

Under the Share Award Plan, the following classes of participants are eligible for participation in the Share Award Plan ("**Selected Participants**"):

(a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any Subsidiary or any entity in which any member of the Group holds any equity interest ("**Invested Entity**");

(b) any non-executive directors (including independent non-executive directors) of the Company, any subsidiary or any Invested Entity;

(c) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any Invested Entity; and

(d) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

Operation

Pursuant to the Share Award Plan, the Remuneration Committee may from time to time instruct the Trustee to purchase issued Shares (on-market and/or off-market). The Shares so purchased shall form part of the capital of the trust fund.

The balance of the contributed amounts shall be returned by the Trustees to the Company forthwith after completion of the purchase.

The Shares so purchased shall be allocated to each selected Participant at such time and at such amount and with such vesting conditions as the Remuneration Committee may from time to time determine and notify to the Trustees in writing accordingly.

Vesting and Lapse

The Board may from time to time, at its discretion, determine the earliest vesting date and other subsequent date(s), if any, subject to and upon which the awarded shares held by the Trustee upon trust and which are referable to a Selected Participant shall vest in that Selected Participant. All of such vesting criteria and conditions (if any) and periods (including the vesting date) shall be set out in the relevant notice of grant issued to each grantee.

In the event that the Selected Participant who is an employee ceases to be an employee by virtue of a corporate reorganisation of the Group or the Invested Entity, then any award made to such Selected Participant, to the extent not already vested, shall forthwith lapse and be cancelled.

REPORT OF THE DIRECTORS

Restrictions

An award or any instruction by the Board to the Trustee to acquire Shares for the purpose of increasing the Shares in the Share Pool must not be made or given when inside information has come to the Company's knowledge and has been announced in accordance with the requirements of the SFO. In particular, during the period preceding the publication of financial results in which the Directors are prohibited from dealing in Shares pursuant to the Model Code or any corresponding code of securities dealing restrictions adopted by the Company and up to the date of publication of the relevant financial results, no award may be made and no instruction may be given by the Board to the Trustee to acquire Shares for the purpose of increasing the Shares in the Share Pool.

Rights attaching to the award and the awarded shares

An award shall be personal to the Selected Participant and shall not be transferable or assignable and no Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any security or adverse interest in favour of any third party over or in relation to an award or enter or purport to enter into any agreement to do so.

Voting Rights

Trustee shall not exercise the voting rights in respect of any Shares held under the trusts.

Since the Adoption Date up to 31 December 2020, the Trustee has purchased a total of 14,720,000 Shares on the market representing approximately 1.93% of the total issued share capital of the Company. Since Adoption Date, no Shares has been granted to participants or vested or transferred to the Selected Participants.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

During FY2020, 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 FY2020, the aggregate sales attributable to the Group's five largest clients accounted for approximately 50.5% (2019: approximately 17.6%) of the Group's total sales and the sales to the Group's largest customer included therein accounted to approximately 27.9% (2019: approximately 8.2%). During the year, the largest supplier accounted for approximately 4.6% (2019: approximately 10.7%) of the Group's purchases and the five largest suppliers of the Group accounted for approximately 18.6% (2019: approximately 28.6%) of the Group's 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 clients.

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.

REPORT OF THE DIRECTORS

HUMAN RESOURCES

As at 31 December 2020, the Group had 274 employees (2019: 343), 20 of which are headquarter staff, 91 employees were responsible for experiential marketing, 111 employees were responsible for digital and brand communication marketing, 21 employees were responsible for public relations marketing, 18 employees were responsible for IP development, and 13 employees were responsible for administrative support. The Group entered 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 of the Group 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.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for FY2020 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 FY2020.

REPORT OF THE DIRECTORS

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 FY2020.

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 FY2020 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.

AUDITOR

There has been no change in auditors during FY2020. The consolidated financial statements for FY2020 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 2021 annual general meeting.

COMPLIANCE WITH LAWS AND REGULATIONS

During FY2020, 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, 26 March 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 ABOUT THIS REPORT

Activation Group Holdings Limited ("Activation", the "Company" or "we") with its subsidiaries (collectively, the "Group") are pleased to publish the Environmental, Social and Governance Report (the "ESG Report" or the "Report"). The Report outlines our ESG work, strategies and practices, and elaborates our sustainable development philosophies.

Reporting Basis

The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and has complied with the provisions of "Comply or Explain" and recommended disclosures under the Guide. Readers may refer to the "Content Index to the Environmental, Social and Governance Reporting Guide of Stock Exchange" set out in Appendix 2 of the Report for quick reference. Readers may also refer to the section headed "Corporate Governance Report" in the 2020 Annual Report for information about corporate governance so as to have a full understanding of the ESG performance of the Group.

Reporting Period and Scope

The Report describes the Group's sustainable development policies, measures and key performance indicators ("KPIs") relating to the Group's core business from 1 January 2020 to 31 December 2020 (the "Year" or the "Reporting Period"). The Report covers the businesses directly controlled by the Group and collects data from the headquarters in Shanghai, offices in Beijing and Hong Kong to evaluate environmental KPIs.

Language of the Report

The Report is published in both traditional Chinese and English. In case of any inconsistency between the traditional Chinese and English versions, the traditional Chinese version shall prevail.

Feedbacks on the Report

We attach great importance to your feedbacks on this report. If you have any queries or suggestions, please feel free to contact us via email: ir@activation-gp.com.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2 AWARDS

Activation is one of the largest experiential marketing service providers in China. The Group's awards in 2020 are as follows:

- The Most Innovative Marketing Agency in Greater China
（大中華區年度最具創新能力營銷機構）

- Most Valuable Companies in Hong Kong: Excellence in Branding Events, and Digital Marketing; Excellence in Project Management and Customer Support Services
（香港最具價值公司獎：最佳品牌活動和數字營銷獎；最佳項目管理和客戶服務獎）

- The Community Chest: Award of Excellence
（香港公益金：公益卓越獎）

- Five Economic Characteristic Enterprises of the Year
（年度五型經濟特色企業）

- Shanghai Sports Industry Model Unit
（上海市體育產業示範單位）

- Annual Demonstration Area "Innovation Star" Award
（年度示範區「科創之星」創新獎）

- The Third Prize at the 4th "China Chuangyi" Entrepreneur Innovation Competition & Changning District Entrepreneur Innovation Competition
（第四屆「中國創翼」創業創新大賽暨長寧區創業創新大賽三等獎）

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The cross-media integrated marketing communication services provided by Activation have been widely recognised by various professional institutions, and a number of marketing programs were awarded, including:

Awards	**Campaign Award**
Event Marketing Awards （活動營銷大獎）	"Tiffany & Co. Vision & Virtuosity Exhibition": Best Experiential Marketing Award; Best Trade Exhibition Award （《匠心妙意：蒂凡尼180年創新藝術與鑽石珍品展》：最佳體驗營銷獎及最佳展會獎） "Kiehl's Made Better Exhibition": Best Sustainable Development Award （《科顏氏綠色星球計劃展覽》：最佳可持續發展獎）
The 20th IAI International Awards （第二十屆IAI國際廣告獎）	"Gaultier meets BOSIDENG": Integrated Marketing Category Silver Award （《時尚頑童Gaultier遇見波司登》：整合營銷類銀獎） "Campaign for the Dicos's New 'Crab Burger'": ROI Category Silver Award （《德克士新品"巨蟹堡"上市傳播戰役》：ROI類銀獎） "Dicos X NBA, IP Integrated Marketing": Social Marketing Category Bronze Award （《德克士X NBA, IP借勢整合營銷》：社會營銷類銅獎）
The 11th Golden Mouse Digital Awards （第十一屆金鼠標獎）	"Campaign for the Dicos's New 'Crab Burger'": Social Marketing Category Golden Awards; Best Marketing Effect Award （《德克士新品"巨蟹堡"上市傳播戰役》：社會化營銷類金獎及最佳營銷效果獎） "Dicos X NBA, IP Integrated Marketing": Cross-media Integration Category Silver Award （《德克士 X NBA, IP借勢整合營銷》：跨媒體整合類銀獎）
The 11th Tiger Roar Awards （第十一屆虎嘯獎）	"Gaultier meets BOSIDENG": Clothing/Accessories Category Silver Award; Integrated Marketing Category Bronze Award （《時尚頑童Gaultier遇見波司登》：服飾／配飾類銀獎及整合營銷類銅獎） "Campaign for the Dicos's New 'Crab Burger'": Integrated Marketing Excellence Award; Food and Service Bronze Award （《德克士新品"巨蟹堡"上市傳播戰役》：整合營銷類優秀獎及餐飲與服務類銅獎） "Dicos X NBA, IP Integrated Marketing": Media Creativity Category Gold Award; Content Marketing Category Bronze Award （《德克士 X NBA, IP借勢整合營銷》：媒介創意類金獎及內容營銷類銅獎）
"Fashion 100+" Annual Fashion New Points Awards （"時尚100+"年度時尚新卡點獎項）	"CHRISTIAN DIOR: DESIGNER OF DREAMS" Exhibition （克里斯汀·迪奧 夢之設計師展覽）
HKMA/TVB Awards For Marketing Excellence Awards' Special Awards （HKMA/TVB傑出市場策劃獎特別獎）	"WearDance by Hong Kong Ballet": Excellence in Branding Award and Excellence in Marketing Collaboration Award （《香港芭蕾舞團2019年推出的「WearDance」》：傑出品牌行營銷及傑出合作營銷獎）

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3 SUSTAINABLE DEVELOPMENT POLICY

As one of the largest experiential marketing service providers in China, apart from focusing on business development, Activation also cares about the healthy development of the society and the environment. We have established an Environmental, Social and Governance Committee (the "ESG Committee") to formulate sustainable development policies and measures, and strive to incorporate factors of sustainable development into our daily operations and management. Not only do we care for our employees, the environment and the community, we also abide by laws and regulations, operate our business in compliance of applicable standards, and act as a leader in the marketing industry to lead other enterprises.

3.1 Environmental, Social and Governance Committee

Activation set up the ESG Committee to establish communication channel with the board of directors on ESG issues. The ESG committee is coordinated by Mr. Ng Bo Sing, the Group's Chief Operating Officer, who is responsible for constructing the Group's ESG strategies, assisting the board of directors to assess and determine ESG risks, and confirming the appropriateness and effectiveness of risk management and internal control systems. The board of directors of the Company is collectively required to take full responsibility for ESG strategy and reporting, and lead the heads of various departments to promote and implement various ESG policies. Its main responsibilities are as follows:

- Identify material ESG issues related to the Group's operations and/or that affect shareholders and other important stakeholders;
- Maintain the operation of the corporate social responsibility management system and enhance employees' awareness of corporate social responsibility;
- Identify major ESG issues concerned by stakeholders through appropriate channels, and to understand and respond to their opinions;
- Review and monitor the Group's ESG policies and practices;
- Ensure that the Group complies with relevant legal and regulatory requirements, monitor and respond to the latest ESG issues and;
- Put forward relevant recommendations to the board of directors at an appropriate time to improve the Group's ESG performance

In the future, we will continue to work hard to strengthen the disclosure of our ESG directions and strategy, and to further improve our ESG practice and enhance its performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.2 Stakeholder Communication

The Group values maintaining a good relationship with stakeholders. We identify different stakeholders, including customers, shareholders/investors, employees, business partners, regulatory agencies, media, community/non-governmental organizations, peers and suppliers, and actively understand the issues they concern about through various communication channels, so as to specify the scope of the key disclosure in the ESG report. We will continue to communicate with various stakeholders, understand and respond to their needs, and establish a long-term relationship of mutual trust.

Stakeholders	Major Communication Channel
Customers	• Customer satisfaction surveys and opinion forms • Customer consultation groups • Visits by customer relationship manager • Daily operations/communication • Telephone call and email
Shareholders/Investors	• Annual general meeting and other general meetings • Interim and annual report • Corporate communication • Results announcement • Investors' meetings
Employees	• Employee opinion survey • Channels for employees to express their opinions (forms, suggestion boxes, etc.) • Performance appraisal and interview • Group discussions • Seminars/workshops/lectures • Staff communication conference • Staff intranet
Business partners	• Reports • Meetings • Visits • Talks
Media	• Press releases • Senior management visit • Results announcement
Community/ Non-governmental organizations	• Community activities • Seminars/workshops/talks • Meetings

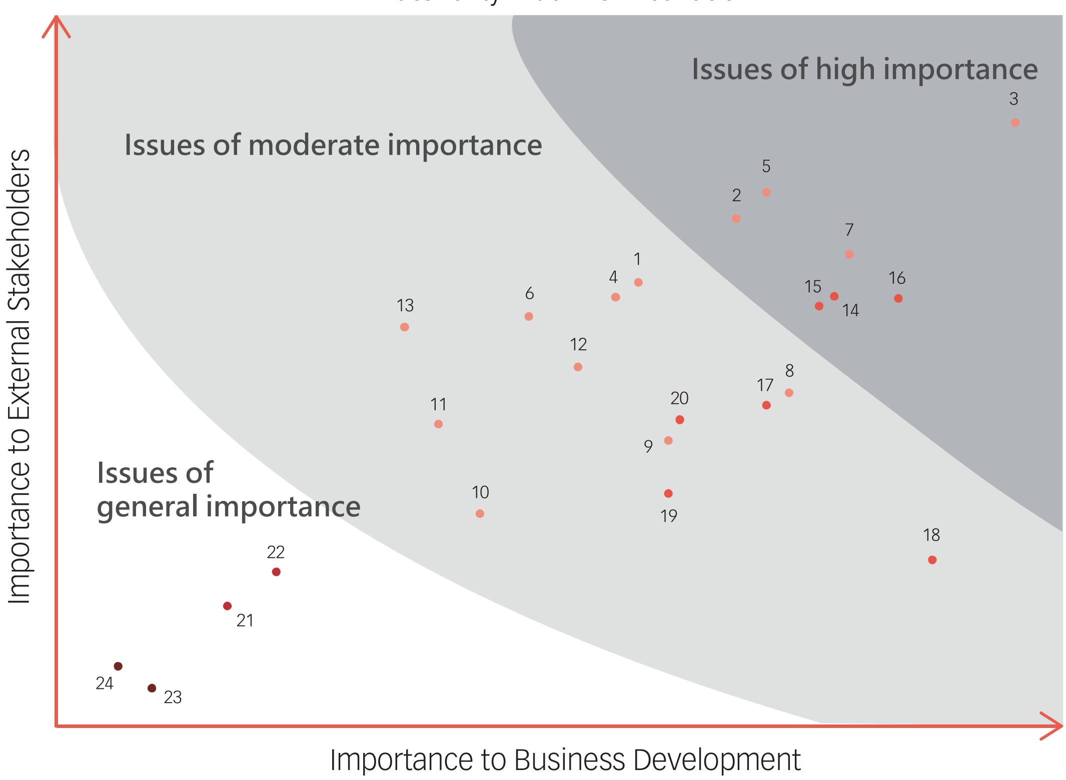
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Major Communication Channel
Peers	• Strategic cooperation projects • Group announcement • Communication conferences
Suppliers	• Suppliers management procedures • Meetings • Supplier/contractor assessments • Site visits
Regulatory agencies	• Meetings • Written response to public consultation • Compliance reports

3.3 Materiality Assessment

As the strategic direction of the Group and the business development of its operations had not significantly changed during the Year, with consideration to different stakeholders' attention towards material issues, this Report continues to use the 2019 materiality assessment results after analysis and discussion. The Group conducted a materiality assessment with internal and external stakeholders through an online questionnaire survey in 2019, considering the stakeholder's level of attention to various issues and the importance of the issues to the company's business and determining the ranking of material issues in order to give more targeted responses that correspond with the expectations and demands of stakeholders. The Group analysed 24 related issues through the two dimensions of "importance to business development" and "importance to external stakeholders", and the selected 7 highly important issues from the previous year will be significantly disclosed in the Report.

Materiality Matrix of Activation



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Importance of Issue	Topics	Issue
High importance	2	Market competitiveness
	3	Compliance with laws and regulations
	5	Quality control
	7	Protection of customers' privacy
	14	Employment rights
	15	Labor relations
	16	Occupational health and safety
Moderate importance	1	Economic performance
	4	Responsible procurement
	6	Technology development and application
	8	Health and safety of products and services
	9	Anti-fraud and anti-corruption
	10	Whistle-blowing mechanism
	11	Compliant handling and responding mechanism
	12	Protection of intellectual property right
	13	Promotion and product/service labeling
	17	Employee diversity, nondiscrimination and equal opportunity
	18	Prevention of child labor and forced labor
	19	Employee training and development
	20	Qualifications and professional conduct
General importance	21	Energy consumption and efficiency
	22	Environmental awareness of employees
	23	Attention to community
	24	Community investment and involvement

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4 OPERATION PHILOSOPHY

As a leading and fast-growing provider of integrated marketing solutions, Activation provides experiential marketing services in high quality to luxury brand customers, and help customers to expand the Greater China and Asia Pacific markets. We keep abreast of the rapid development of digital marketing, expand our digital marketing and brand promotion business, and use innovative solutions to help customers promote their brands and products on social media platforms. We consistently manage our business with rigorous standards, and create inspiring and exciting marketing solutions for customers and communities with the spirit of originality.

4.1 Information System Protection

The Group actively develops its digital marketing business and involves in using big data analysis software. We are concerned about information processing and network security. The Group strictly complies with laws and regulations such as the Regulations of the People's Republic of China for Safety Protection of Computer Information Systems(《中華人民共和國計算機信息系統安全保護條例》), the Cybersecurity Law of the People's Republic of China(《中華人民共和國網絡安全法》), the Provisions on the Technical Measures for the Protection of the Security of the Internet(《互聯網安全保護技術措施規定》), the Administrative Measures for Internet Information Services(《互聯網資訊服務管理辦法》) and the Administrative Measures for the Security Protection of Computer Information Networks Linked the Internet(《計算機信息網絡國際聯網安全保護管理辦法》), as well as the Personal Data (Privacy) Ordinance(《個人資料(私隱)條例》) of the Hong Kong Special Administrative Region (the "HKSAR"). We continue to improve our "Information Security Management System"(《信息安全管理制度》) to regulate the information transmission, exchange, and storage behaviour of employees on platforms in computer equipment, information network platforms, and electronic data platforms, so as to build a well-founded, safe and reliable information data system with a systematic basis.

The "Information Security Management System"(《信 息 安 全 管 理 制 度 》) regulates the following behaviours to comprehensively protect information security management and prevent information leakage incidents:

Data Access	—	The Information Technology Department needs to set corresponding access rights for employees according to the needs of their ranks;
	—	Keep backup files in the database properly to prevent illegal copying and damage
Data Storage	—	Make regular backup to prevent data loss;
	—	Undergo regular virus checkups and clean up junk files;
	—	Data copied to a public computer for use must be deleted in time after use
Data Transfer	—	Copy materials and transferring them to any unit or individual without authorization is strictly prohibited;
	—	Send any email in the name of others is strictly prohibited

If any unexpected information security incident occurs, issues will be settled in a timely manner and reported to the senior management of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Customer Data Protection

Activation is committed to protecting customer information security and privacy from infringement. We only collect customer information via legal channel, and use customer information only in the ways specified in the contract. We will not disclose customers' information without their consent. Employees can only obtain customer information with sufficient reasons and manage customer data in accordance with the "Information Security Management System" (《信息安全管理制度》). In addition, we strictly prohibit resigned employees from taking customer information away from the Group. If the information is leaked due to personal reasons, it will be subject to the relevant consequences. We will also organise relevant trainings for employees to strengthen their awareness of privacy and security protection.

4.2 Respect Intellectual Property

The Group has entered the field of intellectual property (IP) development, and introduces and develops IP services for customers. As a leading cross-media marketing company that encourages originality, Activation is highly concerned with intellectual property protection. The Group strictly complies with the Law of the People's Republic of China on the Protection of Intellectual Property Rights (《中華人民共和國知識產權法》), Patent Law of the People's Republic of China (《中華人民共和國專利法》), Trademark Law of the People's Republic of China (《中華人民共和國商標法》), Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), and the relevant laws of the HKSAR on intellectual property. We have a dedicated department in charge of the application, maintenance and transfer of intangible assets management such as intellectual property rights and patented technologies, and handle relevant registration, renewal and licensing procedures. During the Reporting Period, 24 trademarks and 19 software copyrights were registered.

We referred to the People's Republic of China's Opinions on Promoting the Healthy and Orderly Development of the Mobile Internet (《關於促進移動互聯網健康有序發展的意見》) to strengthen intellectual property protection of innovative achievements in mobile Internet technology and business models to prevent infringement. Employees are strictly prohibited from copying registered intellectual property rights.

If we find the above-mentioned infringement, such cases will be addressed through legal actions.

4.3 Top Quality Services

The Group integrates high technology, innovation and creativity advocated by sustainable development to create an excellent brand experience. We are customer-oriented, willing to listen to customers' opinions and understand their needs, striving to provide customers with the best quality service. Customers are protected by the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), pursuant to which the principles of voluntariness, equality, fairness, honesty and credibility in relation to consumer rights are followed.

Activation was awarded the Best Experiential Marketing Award in the 2020 Event Marketing Awards (EMA Awards), as well as the Best Trade Exhibition Award, recognising the excellent marketing services of the Activation team and demonstrating our persistence in service quality.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and Safety of Products and Services

Safety is a basis of provision of high quality service. Activation designs, organises and manages projects in compliance with the Regulations on Safety Administration of Large-scale Mass Activities (《大型群眾性活動安全管理條例》). We apply for security permits for large-scale events in advance to ensure public safety. We fully manage the safety of events organised, including:

— Establish a safe work plan (specify the time, place, content and organization of the activity);

— Plan the number of safety workers, ensure that employees clearly know their duty and determine distinctive emblem in advance; and

— Formulate emergency rescue plans, etc.

Our professional team constantly negotiates and communicates with customers during the process of event planning and preparation. We patiently understand customer requests and expectations, adjust the plan until the customers are satisfied, and carry out the plan upon obtaining the customer's approval for each project task. During the Reporting Period, other than certain events organised by the Group which were cancelled due to public health concerns during the COVID-19 pandemic, the Group had no products and services that had to be recalled or cancelled due to safety and health reasons.

Customer Feedbacks

Customer opinions are the foundation for us to improve our service quality. For customer complaints, we follow up with a positive and serious attitude, promptly conduct independent investigations to understand the cause of the problem, and provide feedback for customers within a specified time, propose solutions and arrange follow-up actions. Customer feedbacks are collected via phone call, email and live conference. If a complaint is received, it will be properly summarized and recorded. The work process will be reviewed regularly, and we will continue to review with employees on the reasons for service problems. Corrective and preventive measures will be subsequently formulated, and internal communication will be strengthened, so as to prevent the same type of complaints from recurrence.

During the Reporting Period, the Group did not receive any complaints on the quality of its service. We will continue to listen to customer opinions so as to provide better services.

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5 COMPLIANCE MANAGEMENT

5.1 Anti-corruption

A fair, efficient and ethical working environment is the foundation for providing high-level services. Activation strictly abides by the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Anti-unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), the Supervision Law of the People's Republic of China (《中華人民共和國監察法》), the Anti-money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), and the Prevention of Bribery Ordinance (《防止賄賂條例》) of the HKSAR, as well as other laws and regulations related to anti-corruption and anti-bribery.

We do not tolerate any form of bribery, extortion, fraud, and money laundering. We have clearly formulated a code of conduct regarding conflicts of interest, bribery, and anti-corruption, and stated that employees should strictly abide by the principle of avoidance to prevent conflicts of interest between relatives. If employees are found to be in violation of the code, the Group will impose appropriate penalties, and we will consider seeking legal actions against employees who violate the law. In order to further prohibit employees from taking advantage of their positions to receive benefits, we also continue to improve the Group's reimbursement policy, clarify the requirements of the documents to ensure that the reimbursement documents are valid and complete, and prevent employees from abusing their position in pursuit of their own interests.

Activation announced the implementation of the "Anti-corruption Reporting System" (《反貪腐舉報制度》) to deal with reports on violations of discipline and law and corruption. The Chairman of the board will receive reports via a dedicated email account. We encourage whistle-blowers to disclose their real names. The identities of the whistle blowers will remain strictly confidential and information will not be disclosed to persons unrelated to the investigation. After receiving the reported case, the Chairman of the board will directly conduct or appoint other independent investigators to conduct an investigation within 2 days.

We insist in promoting anti-corruption work starting from education. Therefore, we implement the "Anti-corruption Training System" (《反貪腐培訓制度》) and continue to raise the anti-corruption awareness of employees at all levels through training. Our anti-corruption training is organised by an external organisation with relevant training experience. All employees will attend an overall anti-corruption training every year, while board members and senior management staff will attend every 6 months. We also set up anti-corruption publicity columns and display promotional slogans to instill the importance of anti-corruption to employees.

During the Reporting Period, the Group was not involved in any concluded corruption lawsuits.

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5.2 Supply Chain Management

The Group has a total of 17 (Shanghai: 12; Beijing: 4; Guangzhou: 1) major suppliers, providing services for lighting and sound as well as stage-setting for events, including new product launches, new store openings, fashion shows/parties and exhibitions/road shows etc.

We are determined to establishing a sustainable supply chain, and we pay special attention to compliance, as well as health and safety. The suppliers we select must comply with local and international laws related to anti-corruption, health and safety, and we will consider whether they meet the requirements in labor rights.

We will only select suppliers that operate legally and sign the "Agreement of Anti-commercial Bribery" (《反商業賄賂協定》) with commonly used suppliers to ensure they are in compliance and incorruptible. In addition, suppliers must ensure that no child labour or forced labour is employed.

In order to ensure the quality of the purchased products and services, we will consider the price, delivery capacity, scale, construction quality and coordination as the evaluation criteria. In order to reduce the environmental impact of the supply chain, we promote green procurement, including the procurement of environmentally friendly products and services that reduce packaging and have a lower environmental impact. We formulate the procurement process. After the event is confirmed, the project team, the production department, and the procurement department will introduce the details of the procurement tender and answer questions for the three suppliers at the same time through WeChat or teleconference. The three suppliers will send their quotations through email within the time specified by the procurement department. After receiving the quotations from the three parties, the procurement department will review the quotations, compare them horizontally, and send them to the senior for approval. Due to the particularity of the event, price comparison of some items will be conducted afterwards if the procurement department is unable to conduct beforehand due to time constraints, the scale of event, schedule, and reasons specified by the customer.

We monitor the product quality and service performance of our suppliers through a comprehensive supply chain management mechanism. The procurement department will participate in the preparation stage of the event by conducting site visit for checking (including but not limited to service quality, specifications, safety and materials, etc.), taking on-site photos and completing the evaluation form for future reference. When the supplier's behavior is found to be inconsistent with our policies, the cooperation might be suspended until the work is improved.

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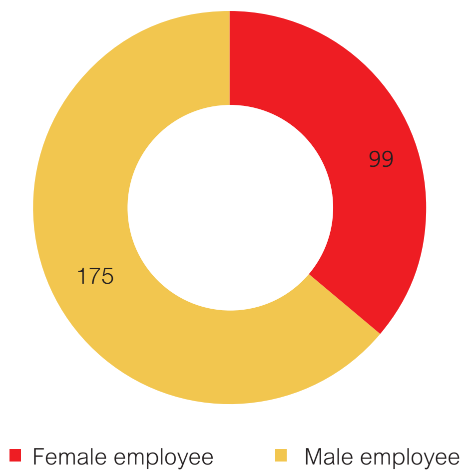
6 PEOPLE-ORIENTED

We are committed to building a people-oriented workplace. We value the communication with employees, and provide equal opportunities and adequate support, so that employees can give full play to their abilities. The core leaders of our team come from different backgrounds, allowing us to comprehensively conduct high-level marketing plans. We are dedicated to training our employees so as to build a diverse professional team, whereas employees can achieve their ambitions together with Activation.

The company abides by the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Employment Ordinance (《僱傭條例》) of the HKSAR and other employment-related laws and regulations in the place where it operates to protect the rights and interests of employees. We have also compiled the "Employee Handbook" (《員工手冊》) to clearly specify the remuneration and benefits of employees, the reward and punishment system and the regulations of the attendance management, etc., in order to convey the Group's standards and expectations to employees and through which the employees understand our expectation, as well as their right and obligations. As at 31 December 2020, the total number of employees of Activation is 274, which are divided as follows:

Employees by Gender



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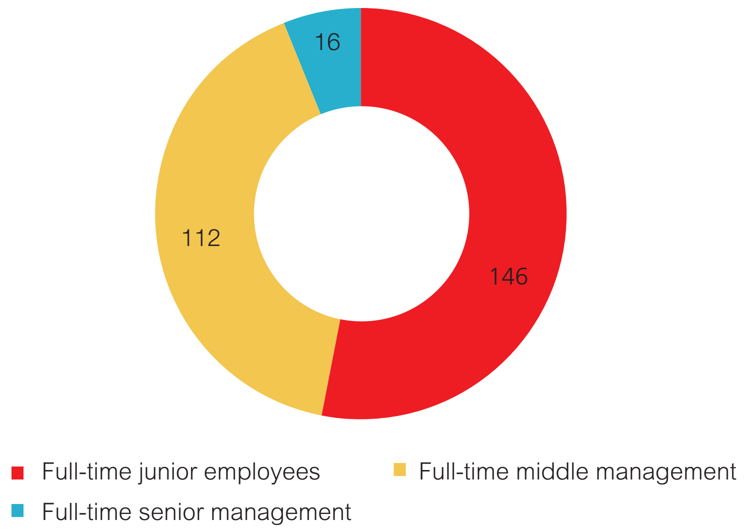
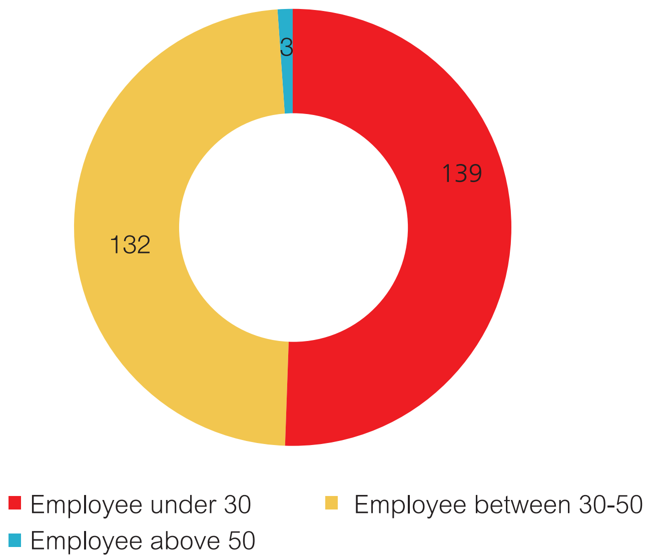
Employees by Employment Type*



* The Group did not hire any part-time employees during the Year

Employees by Age Group



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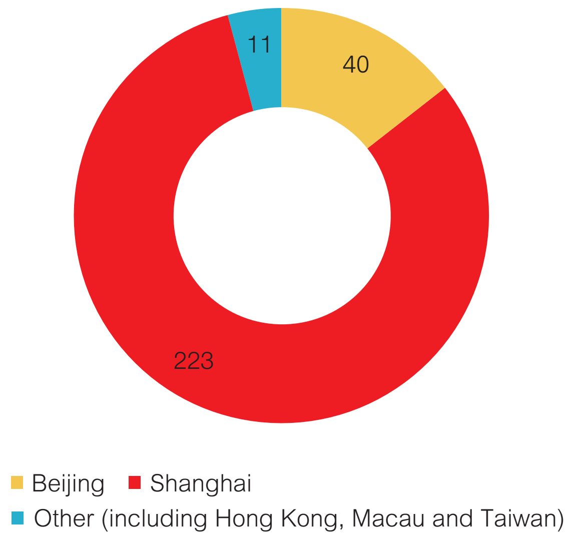
Employee by Geographical Region



6.1 Protection of Employee Rights

Employees are our valuable assets. We are committed to creating a compliant, fair and friendly workplace for employees. We have zero tolerance for the employment of child labour and forced labour, and strictly abide by the laws and regulations of the Prohibition of Using Child Labour(《禁止使用童工規定》)and the Minors Protection Law(《未成年人保護法》). In order to eliminate child labour at the source, the human resources department will collect identification documents on the first day of employment to ensure that employees have reached the legal working age. In addition, newly recruited employees will sign a legally binding Labour Contract(《勞動合同》)in accordance with the law, and abide by its terms and conditions on the basis of equality, voluntariness and consensus to protect the rights and interests of both parties.

During the Year, we did not have any cases of violation in hiring child labour or forced labour.

Recruitment and Resignation

Diversity of employees is the foundation for the success of the creative marketing industry. Therefore, we continue to select capable talents in accordance with the principles of fairness, impartiality and openness during employee recruitment. We recruit employees based on their knowledge, capability, merits and experience. We ensure that candidates' hiring decisions are independent of age and gender, physical and mental health status, marital and family status, race, color, nationality, religious belief, political stance, sexual orientation and other discriminatory factors.

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We are open to the resignation of the employees. Employees can terminate the employment relationship by themselves, but they need to complete the handover work within the notice period according to the contract. When an employee resigns, the human resources department will arrange interview with the resigned employees to understand the reasons for their resignation, identify problems related to group management and employee turnover rates, and make early improvements to retain talents. We also have a mechanism to protect employees from unreasonable dismissal. Before dismissal, we must negotiate with the employee and sign the "Agreement on Termination of Labour Contract"(《解除勞動合同協議書》) in accordance with the relevant provisions of labour law.

6.2 Welfare and Benefits

Activation establishes a fair and competitive remuneration system to attract and retain talents. The Group will evaluate the performance of each employee in the annual performance appraisal, and adjust the salary and position of the employees according to factors of the employee and the Group such as the business operation status, work performance, business performance, position and duty. In terms of promotion, we will first consider internal promotion, and then consider external recruitment. Our performance evaluation criteria are open to all employees, and the evaluation system is transparent, which helps employees set clear work goals and give full play to their strengths.

Due to the outbreak of COVID-19 pandemic this year, we suspended employee activities such as travel and other cultural and sports activities to reduce gatherings and the risk of infection. However, we continue to provide generous welfare, and employees can enjoy legal rights and interests, including annual leave, sick leave, personal leave, marriage leave, maternity leave, funeral leave, and compensatory leave after working overtime or on holidays. We also follow the Social Insurance Law(《中華人民共和國社會保險法》) of the People's Republic of China, and provide employees with social insurance and make contributions to provident fund. We care for the physical and mental health of our employees, so in addition to the statutory provident fund and holidays, we established the "Employee Welfare Management System"(《員工福利管理制度》) to provide additional benefits such as supplementary medical insurance, holiday benefits and annual physical examination.

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6.3 Health and Safety

Activation is highly concerned with the safety and health of employees. We strictly comply with related laws and regulations such as the Provisions on the Supervision and Administration of Occupational Health at Work Sites(《工作場所職業衛生監督管理規定》), Industrial Injury Insurance Ordinance of the People's Republic of China(《中華人民共和國工傷保險條例》), the Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》) and the Occupational Safety and Health Ordinance(《職業安全及健康條例》) of the HKSAR. In order to construct a safe and healthy workplace, we established a safety alert warning system to regularly report hazards, injuries, diseases, etc. We also communicate safety-related information with employees, and inform employees about matters such as safety inspections and disease statistics in a timely manner. Moreover, we established safety protection measures and provided necessary protective equipment for employees who are working in high-risk environments. In addition, we attach great importance to fire safety. We ban smoking in workplaces, and establish emergency measures. We regularly conduct fire escape drills that require employees to participate and familiarise themselves with escape routes.

During the Reporting Period, the Group did not have any work-related fatalities or injuries.

Responding to the COVID-19 pandemic

In view of the COVID-19 pandemic, we formulated the "Prevention and Control Measures" (《防控措施》) and devised comprehensive guidance to fight with the COVID-19 pandemic, including carrying out strict disinfection in the office, intensifying the cleaning work, requiring employees at work to check body temperature and wear masks, suspending or controlling face-to-face internal training, meetings, business trips. We stay alert and prevent problems from happening so as to protect employees' health.

6.4 Talent Development

The professional skills of employees are key assets that allow Activation to be an industry leader. We believe that scientific and innovative management methods can stimulate the creativity of the team and enable employees to put their ideas into practice. Together with standardised work procedures, each marketing plan maintains the level of excellence, allowing Activation to keep breaking through industry boundaries. We use modularised professional division of labour to finely arrange each professional function and position, so that professionals in different fields can give full play to their strengths.

Activation believes that sharing knowledge and experience can raise the level of the team. Since 2015, we have continued to use the A-TED platform to invite experienced speakers to share knowledge and experience with employees in different fields. Topics include marketing concept application, developing creativity, design and influence, etc. These aim at building Activation's knowledge base, developing creative thinking and enriching the skills of employees.

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In addition, we have also launched different training subsidy schemes to encourage employees to continue their education and self-enhancement according to their work needs, in order to increase their competitiveness.

We strive to broaden the horizons of employees. We organise long-term exchanges with international partners and encourage employees to participate in seminars and sharing sessions, etc. which are organised by external organisations, so that employees can be exposed to different cultures and thinking modes, as well as having more inspiration to create.

We encourage employees of all positions to continue education and keep up with market development. The training status of our employees is as follows:

Indicators	**Unit**	**2020**
The percentage of employees trained (by gender)		
Female employees	%	80.81%
Male employees	%	80.00%
The percentage of employees trained (by employment type)		
Full-time junior employees	%	84.25%
Full-time middle management	%	79.46%
Full-time senior management	%	50.00%
The average hours of training completed by each employee (by gender)		
Female employees	Hour	4.00
Male employees	Hour	4.00
The average hours of training completed by each employee (by employment type)		
Full-time junior employees	Hour	4.00
Full-time middle management	Hour	4.00
Full-time senior management	Hour	4.00

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7 GREEN DEVELOPMENT

Activation cares about the sustainable development and strives to contribute to environmental protection. We are committed to strengthening environmental protection management strategies and actively integrating environmental protection into daily operations, decision-making and services.

We strictly comply with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Prevention and Control of Water Pollution Law of the People's Republic of China (《中華人民共和國水污染防治法》), and the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) and other laws and regulations, and have formulated the "Enterprise Environmental Protection Policy" (《企業環保政策》). We implement green office measures, strengthen carbon emission management and organise employees' environmental protection activities to raise the Group's overall environmental awareness and attention.

7.1 Green Operation

Activation mostly conducts business operations in the office, which has no significant impact on the environment and natural resources. However, we still strive to effectively reduce resource consumption and pollutant emissions, as well as allocate resources to improve energy efficiency, reduce paper use, implement waste recycling and low-carbon transportation, etc., and also focus on raising employees' awareness of environmental protection.

Energy Consumption Management

In order to reduce the energy demand, Activation has already implemented a number of energy saving measures in the office. However, we continue to improve the energy efficiency of the office, add environmental protection measures to the existing energy saving measures, and further strengthen the energy-saving performance of the air conditioning, lighting and other electronic devices.

Air Conditioning System Management

Our offices are equipped with a central control and monitoring system to effectively control indoor air quality, indoor temperature, ventilation and humidity. In addition, we implemented the use of split-type air conditioners this year that have obtained the Grade 1 energy efficiency label to improve the operating efficiency of air-conditioning and reduce energy consumption. To avoid overuse of refrigerants and reduce greenhouse gas emissions, we avoid installing air conditioners in locations where the sun hits directly, and regularly check and replace the connectors of pressure devices and air compressors to reduce the possibility of refrigerant leakage. We have also implemented measures to block and reduce heat absorption in the office, including the use of low emissivity glass to block the ultraviolet rays that generate heat, and the continued use of anti-UV and heat-insulation films on windows to reduce the demand for refrigerants and achieve energy conservation.

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Lighting System Management

In order to reduce unnecessary lighting, we reduced the number of lighting where the brightness is higher than the demand this year. At the same time, we continue to use high energy efficiency lamps to save power while maintaining brightness. The use of sunlight for illumination is still encouraged, and glass materials are still adopted in the offices to increase light transmittance. Different zones of our office are equipped with independent controlled lighting switches to meet the lighting needs of different workplaces. In addition, we also install switch sensors in workplaces that are not frequently used so that the lights will be turned on only when someone enters the work area to avoid wasting resources.

Electronic Devices Management

Energy-efficient electronic devices can help reduce energy use and help protect the environment. Activation will consider the information of the energy efficiency label when choosing office electronic devices, and use devices with high energy efficiency. We put great emphasis on cultivating good habits for employees when using electronic devices, including turning off the power or turning on the power saving mode when the device is not in use, setting the computers into automatic standby/sleep mode when idle and turning off electronic devices completely during non-working hours, and turning off the power to the equipment in the office before holidays.

During the Year, the Group consumed 322,109.50 kWh of electricity in total, equivalent to 192.00 kWh per square meter and 1,175.58 kWh per employee.

Paper Management

The Group adopted a paperless policy, makes good use of electronic documents and electronic communication technology to transfer information, without printing unnecessary documents to reduce paper consumption. For documents that must be printed, we encourage employees to use smaller fonts and line-spacing to reduce paper printing. In addition, employees should reuse or double-use paper, and set up a recycling station in our office to recycle waste paper for secondary use. Except for the paper printed with confidential information, all waste paper is sent to the waste paper recycling company for recycling. We strive to optimize the paperless practice and regularly count printing quantity to monitor paper consumption and take appropriate improvement measures.

During the Year, 750.00 kg of paper were consumed from the areas covered by the collection scope of environmental KPIs, with an average of 2.74 kg consumed by each employee. Paper consumption has been reduced by 30% compared with last year, mainly due to the impact of the COVID-19 pandemic and the implementation of home office arrangements during the pandemic.

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Waste Management

We are committed to promoting sustainable waste management, adopting a three-step process of waste reduction, by avoidance of waste generation at the source, reduction of waste disposal, and finally recycling.

Avoidance of waste generation	—	Use e-cards during the holiday season;
	—	Use replacement refills to reuse the barrel and avoid discarding the entire pen;
	—	Use recyclable toner/ink cartridges
Reduction of waste disposal	—	Reuse envelopes, binders, file cards and other stationery;
	—	Use rechargeable batteries instead of disposable batteries
Recycling	—	Set up garbage sorting and recycling bins in the company;
	—	Set up waste battery recycling stations and cooperate with electronics companies to recycle old computers or other electronic waste for recycling, etc.

To support environmental protection, we try not to provide and use disposable lunch boxes and tableware, and use a plate cleaning system to clean and disinfect reused tableware to reduce waste generation. In addition, the leftovers are handled by a professional third-party company.

In addition to formulating a green office policy, the Group is also determined to cultivate employees' environmental awareness and actively organises environmental protection activities for employees, making Activation a green company that supports environmental protection from top to bottom.

In order to cooperate with the "Regulation on Domestic Waste Management of Shanghai (《上海市生活垃圾管理條例》) and promote waste reduction culture and recycling, Activation launched the "Voluntary Sorting and Recycling of Office Waste for Green and Environment Protection" activity (「辦公垃圾分類回收綠色環保志願」活動) since 2019. In the second year of the event, we continued to promote the mission of "Start from Ourselves and Little Things around" (「從自己做起、從身邊小事做起」), placing garbage sorting bins in the Shanghai office, sorting from the source, and continuing to educate employees to correctly recycle non-hazardous waste, hazardous waste, wet waste and dry waste, converting useful resources, such as paper recycled from daily office work, into renewable resources, making a positive contribution to environmental protection.

During the Year, a total of 11.30 tonnes of non-hazardous waste was generated from the office, with an average of 0.04 tonnes per employee; in terms of hazardous waste, the Shanghai office generated 8 computers and 10 pieces of waste ink cartridges and waste toner boxes of hazardous waste, in which we arranged the leasing companies for further disposal and recycling.

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Water Resources Management

The water used in the office of the Group comes from municipal water supply, and there is no problem in obtaining water source. We cherish every drop of water, and post water conservation slogans and posters on major water consumption sources such as toilets and pantry. In addition, to avoid wasting water, we implemented the following measures:

— Close the faucet tightly and repair the dripping faucet immediately to avoid "Water Flowing for a Long Time" and waste of resources due to delayed maintenance;

— Regularly inspect and conduct leakage test for water supply facilities and concealed water pipes;

— Regularly check the water meter readings and for hidden water leaks;

— Use faucets and toilets with water-saving labels; and

— Recycle the washing water for cleaning and irrigation.

During the Year, we consumed 74.00 tonnes[1] of water resources, equivalent to 0.04 tonnes per square meter or 0.27 tonnes per employee respectively. Water consumption was decreased by 77% compared to last year, mainly due to the implementation of work-from-home arrangements during the pandemic period and the decrease in the number of employees, which led to a drop in water consumption.

1 It is difficult to collect the data of water consumption of the headquarters office in Shanghai. The figures only included the consumption of offices in Beijing and Hong Kong.

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7.2 Emissions Management

Our greenhouse gas emissions (GHG) mainly come from office electricity, company vehicles emissions, water consumption during operation, waste landfilling, paper consumption, and airplane emissions when employees go on business trips by flight.

The Group has adopted a series of measures to reduce energy consumption and GHG during operations. In addition to implementing green offices to reduce GHG caused by the use of electricity, water, waste and paper during operations, we also advocate low-carbon transportation and standardise business arrangements to manage the Group's GHG in an all-rounded way.

Low-carbon Transportation

- Regularly maintain the company's vehicles to maintain efficiency, so as to avoid excessive pollutants emission due to reduced efficiency;
- Strictly forbid employees to abuse the use of vehicle;
- Plan the driving route to avoid consuming more fuel due to detours, etc.; and
- Encourage employees to take public transportation, reduce car usage, and promote carpools, etc.

Business Trip

- Adopt video and telephone conferences where possible; and
- Choose direct flights for inevitable business trips, etc.

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In accordance with the Greenhouse Gas Protocol (《溫室氣體盤查議定書》) developed by the World Resources Institute and the World Business Council for Sustainable Development and ISO14064-1 issued by the International Organisation for Standardisation, the Group conducted GHG emissions inventory for the Group's headquarters in Shanghai and its offices in Beijing and Hong Kong. The summary of GHG emissions during the Reporting Period is as follows:

GHG Emissions Performance	Unit	2020
GHG Emissions		
Direct GHG emissions (Scope 1)	tonnes of CO_2 equivalent (CO_2e)	27.38
Indirect GHG emissions (Scope 2)	tonnes of CO_2e	200.12
Other indirect GHG emissions (Scope 3)	tonnes of CO_2e	146.56
Total GHG emissions (Scopes 1, 2 and 3)	tonnes of CO_2e	374.06
GHG Emission Intensity		
Emissions intensity per square meter	tonnes of CO_2e/m^2	0.22
Emissions intensity per employee	tonnes of CO_2e/ employee	1.37

Scope 1: Direct GHG emissions generated from sources owned and controlled by the Company

Scope 2: Indirect GHG emissions caused by power generation, heating and cooling or steam purchased by the Company externally

Scope 3: Emissions include GHG indirectly generated by sources not owned or directly controlled by the Company but related to the Company's business activities

GHGs can be divided into direct emissions (Scope 1): use of fuel of the Group's vehicles; indirect emissions (Scope 2): power consumption during operation; other indirect emissions (Scope 3): water use, wastewater treatment, business air travel by employees, waste and paper consumption, etc.

Apart from GHG emissions, the types and data of emissions generated by the Group's vehicles during the Year are as follows:

Emissions	Unit	2020
Nitrogen oxides (NO_X)	kg	4.83
Sulfur oxides (SO_X)	kg	0.15
Particulate matter (PM)	kg	0.36

We understand the importance of working together to address climate change, and the Group will continue to refer to more policy documents related to the issue, such as the Paris Agreement (《巴黎協議》), China's Policies and Actions to Address Climate Change 2019 Annual Report (《中國應對氣候變化的政策與行動2019年度報告》), and the disclosure of climate-related financial information Working Group (TCFD), as the basis for optimising carbon emission reduction measures and formulating emission reduction targets.

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8 GIVING BACK TO THE COMMUNITY

Activation is committed to community service. As an event planning company with rich experience, we make good use of our industry advantages and cooperate with many charity organisations in different fields such as sports and environmental protection and organise charity activities that are beneficial to the physical and mental health of the community.

Sports activities are an important business segment of the Group, meanwhile, it is also an important channel for Activation to promote a healthy life to the public. We implement doing good through sports, organise charitable sports activities, and promote sports life and taking pleasure through helping others to the public. During the Year, Activation fully supported the "JOY RIDE" (騎心協力) charity event launched jointly by "Le Tour de France Events in China" (環法中國系列賽事) and the China Green Foundation (中國綠化基金). The activity encouraged participants to ride 3 kilometers a day, and to restart a healthy and sustainable sports life through cycling.

"JOY RIDE" charity event

In addition to promoting healthy living to the community, we also value environmental protection in the community. We fully support the "Le Tour de France in China Forest", an activity that combines a low-carbon cycling lifestyle with tree planting. Participants donated saplings in the name of "Knight of the Earth" (「地球騎士」) and planted them in the Tengger Desert of the Ala Shan Desert to reduce desertification and global warming.

Activation cares about the vulnerable group and provides extensive support in education to students from less advantaged families in China. During the Reporting Period, the Group donated RMB 20,000 to the "Helping Poor Students in Non-Compulsory Education" (「幫扶非義務教育階段貧困學生就學」) Project in Honghe County, Yunnan Province to support poor students in Longmei Village, Jiayin Town, and Asa Village, Jiayin Town to obtain secondary education or higher education. As an enterprise that values the inheritance of knowledge, we hope that these students can change their destiny with knowledge and enrich themselves by education.

In the future, Activation will continue to actively fulfil its social responsibilities and obligations. We will listen to the needs of the needy, and take the advantage of the Group's expertise to help more people in need.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Appendix 1: Sustainability Data Statement

Environmental Performance[1]	Unit	2019	2020
Emission[2]			
Nitrogen oxides (NO_X)	kg	6.33	4.83
Sulphur oxides (SO_X)	kg	0.19	0.15
Particulate matter (PM)	kg	0.47	0.36
GHG emissions			
Direct GHG emissions (Scope 1)	tonnes of CO_2e	34.32	27.38
Indirect GHG emissions (Scope 2)	tonnes of CO_2e	293.45	200.12
Other indirect GHG emissions (Scope 3)	tonnes of CO_2e	135.21	146.56
Total GHG emissions (Scope 1, 2 & 3)	tonnes of CO_2e	462.98	374.06
GHG emissions intensity			
Emissions intensity per square meter (Scope 1, 2 & 3)	tonnes of CO_2e/m^2	0.28	0.22
Emissions intensity per employee (Scope 1, 2 & 3)	tonnes of CO_2e/ employee	1.35	1.37
Hazardous wastes			
Computer[3]	piece	10	8
Waste ink cartridge and toner cartridge[4]	piece	15	10
Non-hazardous wastes			
Total amount of non-hazardous wastes	tonnes	14.56	11.30
Non-hazardous waste intensity per employee	tonnes/employee	0.04	0.04
Paper consumption			
Paper consumption	kg	1,070.00	750.00[5]
Paper consumption intensity per employee	kg/employee	3.12	2.74
Energy consumption			
Total electricity consumption	kWh	343,153.50	322,109.50
Electricity consumption intensity per sqaure meter	kWh/m^2	204.55	192.00
Electricity consumption intensity per employee	kWh/employee	1,000.45	1,175.58
Vehicles			
Fuel consumption — Gasoline	liter	12,673.00	10,109.70
Water consumption			
Total water consumption[6, 7]	tonnes	325.00	74.00
Water consumption intensity per square meter	$tonnes/m^2$	0.19	0.04
Water consumption intensity per employee	tonnes/employee	0.95	0.27

1 The collection scope of environmental KPIs includes data from the Shanghai headquarters, Beijing and Hong Kong offices
2 Emissions from company vehicles
3 The hazardous waste generated came from the Shanghai office, and we have arranged for the leasing company to further process and recycle
4 The hazardous waste generated came from the Shanghai office, and we have arranged for the leasing company to further process and recycle
5 The Group adopted a paperless policy, and implemented work from home during the pandemic, so paper consumption in 2020 reduced
6 The water consumption of the Shanghai headquarters office cannot be calculated because the water consumption of the building is calculated for the whole building, so only the consumption of the Beijing and Hong Kong offices are included
7 The water consumption of the Beijing office in 2019 is an estimated value, and in 2020, the water consumption is recorded according to the water meter. In 2020, due to the pandemic, working from home was implemented, which reduced water consumption

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Performance	Unit	2020
Human Resources Data[8]		
Employment		
Total number of employees	No. of people	274
Total number of employees (by gender)		
Female employees	No. of people	99
Male employees	No. of people	175
Total number of employees (by employment type)		
Full-time junior employees	No. of people	146
Full-time middle management	No. of people	112
Full-time senior management	No. of people	16
Total number of employees (by age group)		
Under 30	No. of people	139
30 to 50	No. of people	132
Above 50	No. of people	3
Total number of employees (by geographical region)		
Beijing	No. of people	40
Shanghai	No. of people	223
Hong Kong, Macau and Taiwan	No. of people	11
Development and training		
The percentage of employees trained (by gender)		
Female employees	%	80.81
Male employees	%	80.00
The percentage of employees trained (by employment type)		
Full-time junior employees	%	84.25
Full-time middle management	%	79.46
Full-time senior management	%	50.00
The average hours of training completed by each employee (by gender)		
Female employees	Hour	4.00
Male employees	Hour	4.00
The average hours of training completed by each employee (by employment type)		
Full-time junior employees	Hour	4.00
Full-time middle management	Hour	4.00
Full-time senior management	Hour	4.00

8 The collection scope of human resource KPIs includes the data of the Group

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Appendix 2: Hong Kong Stock Exchange ESG Reporting Guide Index

Indicators			**Related Chapters**
A. Environmental			
A1: Emission	General Disclosure	Information on: (a) the policies and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste.	7. Green Development
	A1.1	The types of emissions and respective emissions data.	7.2 Emissions Management Appendix 1: Sustainability Data Statement
	A1.2	Greenhouse gas emissions in total and intensity.	7.2 Emissions Management Appendix 1: Sustainability Data Statement
	A1.3	Total hazardous waste produced and intensity.	7.1 Green Operation Appendix 1: Sustainability Data Statement
	A1.4	Total non-hazardous waste produced and intensity.	7.1 Green Operation Appendix 1: Sustainability Data Statement
	A1.5	Description of emission target(s) set and steps taken to achieve them.	7.2 Emissions Management
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	7.1 Green Operation
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7.1 Green Operation
	A2.1	Direct and/or indirect energy consumption by type in total and intensity.	7.1 Green Operation Appendix 1: Sustainability Data Statement
	A2.2	Water consumption in total and intensity.	7.1 Green Operation Appendix 1: Sustainability Data Statement
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	7.1 Green Operation
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	7.1 Green Operation
	A2.5	Total packaging material used for finished products and per unit produced.	Not applicable, the business of the Group does not involve packaging materials

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicators			Related Chapters
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	7. Green Development
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7. Green Development
B. Social			
B1: Employment	General Disclosure	Information on: (a) The policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6. People-oriented 6.1 Protection of Employee Rights 6.2 Welfare and Benefits
	B1.1	Total workforce by gender, employment type, age group and geographical region.	6. People-oriented Appendix 1: Sustainability Data Statement
	B1.2	Employee turnover rate by gender, age group and geographical region.	Consider disclosure in the future
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6.3 Health and Safety
	B2.1	Number and rate of work-related fatalities occurred.	6.3 Health and Safety
	B2.2	Lost days due to work injury.	6.3 Health and Safety
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	6.3 Health and Safety
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6.4 Talent Development
	B3.1	The percentage of employees trained by gender and employee category.	6.4 Talent Development Appendix 1: Sustainability Data Statement
	B3.2	The average training hours completed per employee by gender and employee category.	6.4 Talent Development Appendix 1: Sustainability Data Statement

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicators			**Related Chapters**
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	6.1 Protection of Employee Rights
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	6.1 Protection of Employee Rights
	B4.2	Description of steps taken to eliminate such practices when discovered.	6.1 Protection of Employee Rights
B5: Supply Chain Management	General disclosure	Policies on managing environmental and social risks of the supply chain.	5.2 Supply Chain Management
	B5.1	Number of suppliers by geographical region.	5.2 Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	5.2 Supply Chain Management
B6: Product Responsibility	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4. Operation Philosophy 4.1 Information System Protection 4.3 Top Quality Services
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
	B6.2	Number of products and service related complaints received and how they are dealt with.	4.3 Top Quality Services
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	4.2 Respect Intellectual Property
	B6.4	Description of quality assurance process and recall procedures.	4.3 Top Quality Services
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	4.1 Information System Protection

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicators			**Related Chapters**
B7: Anti-corruption	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5.1 Anti-corruption
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	5.1 Anti-corruption
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	5.1 Anti-corruption
Community			
B8: Community investment	General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	8. Giving Back to the Community
	B8.1	Focus areas of contribution.	8. Giving Back to the Community
	B8.2	Resources contributed to the focus area.	8. Giving Back to the Community

INDEPENDENT AUDITOR'S REPORT

EY 安永

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 94 to 181, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 2020, the Group recorded trade receivables of RMB224,789,000 before a loss allowance of RMB2,087,000, representing approximately 38.2% 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 estimates are required in assessing the ECLs for the trade receivables, with reference to the groupings of various customer segments, with similar loss pattern, 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 20 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 2020, 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. 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 their 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 reflected specific risks relating to the CGU.	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; • 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;

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill (continued)	
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 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 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 relevant the 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.

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

INDEPENDENT AUDITOR'S REPORT

- 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, actions taken to estimate threats or safeguards applied.

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

26 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	**457,999**	661,774
Cost of sales		**(326,346)**	(463,646)
Gross profit		**131,653**	198,128
Other income and gains	5	**13,238**	19,142
Selling and distribution expenses		**(61,090)**	(76,881)
General and administrative expenses		**(41,564)**	(68,206)
Other expenses, net		**(644)**	(404)
Finance costs	7	**(2,515)**	(4,515)
Share of profits and losses of an associate and a joint venture		**(527)**	(398)
PROFIT BEFORE TAX	6	**38,551**	66,866
Income tax expense	10	**(13,321)**	(25,995)
PROFIT FOR THE YEAR		**25,230**	40,871
Attributable to:			
Owners of the parent		**23,423**	29,969
Non-controlling interests		**1,807**	10,902
		25,230	40,871
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted (RMB cents)		**3.05**	4.99

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**25,230**	40,871
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(7,781)**	1,520
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**17,449**	42,391
Attributable to:		
Owners of the parent	**15,642**	31,489
Non-controlling interests	**1,807**	10,902
	17,449	42,391

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,881**	1,873
Right-of-use assets	14	**12,948**	16,569
Goodwill	15	**10,233**	10,233
Intangible assets	16	**351**	268
Investment in a joint venture	17	**156**	—
Investment in an associate	18	**5,129**	5,512
Deferred tax assets	26	**524**	551
Total non-current assets		**31,222**	35,006
CURRENT ASSETS			
Investments in entertainment projects	19	**—**	1,594
Trade receivables	20	**222,702**	170,322
Prepayments, deposits and other receivables	21	**31,069**	14,324
Pledged bank deposits	22	**674**	8,940
Cash and cash equivalents	22	**302,935**	129,493
Total current assets		**557,380**	324,673
CURRENT LIABILITIES			
Trade payables	23	**143,459**	149,673
Other payables and accruals	24	**45,313**	33,547
Interest-bearing bank and other borrowings	25	**—**	74,813
Lease liabilities	14	**4,495**	4,175
Tax payable		**13,054**	11,975
Total current liabilities		**206,321**	274,183
NET CURRENT ASSETS		**351,059**	50,490
TOTAL ASSETS LESS CURRENT LIABILITIES		**382,281**	85,496
NON-CURRENT LIABILITIES			
Lease liabilities	14	**9,247**	13,257
Deferred tax liabilities	26	**197**	210
Total non-current liabilities		**9,444**	13,467
Net assets		**372,837**	72,029

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	27	**674**	88
Reserves	29	**359,255**	59,804
		359,929	59,892
Non-controlling interests		**12,908**	12,137
Total equity		**372,837**	72,029

Lau Kam Yiu
Director

Ng Bo Sing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

		Attributable to owners of the parent								
	Note	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
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 to reserve funds		—	—	—	5,218	—	(5,218)	—	—	—
Issue of shares		88	—	—	—	—	—	88	—	88
Acquisition of a non-controlling interest		—	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent												
	Issued capital RMB'000 (note 27)	Share premium RMB'000 (note 27)	Treasury shares RMB'000 (note 27)	Other reserve RMB'000 (note 29)	Capital reserve RMB'000 (note 29)	Statutory reserve RMB'000 (note 29)	Capital redemption reserve RMB'000 (note 29)	Exchange fluctuation reserve RMB'000	Share held under Share Award Scheme RMB'000 (note 28)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	88	–	–	(22,753)	14,023	22,778	–	(151)	–	45,907	59,892	12,137	72,029
Profit for the year	–	–	–	–	–	–	–	–	–	23,423	23,423	1,807	25,230
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(7,781)	–	–	(7,781)	–	(7,781)
Total comprehensive income for the year	–	–	–	–	–	–	–	(7,781)	–	23,423	15,642	1,807	17,449
Issue of shares	616	357,158	–	–	–	–	–	–	–	–	357,774	–	357,774
Shares repurchased	(30)	(68,273)	(643)	–	–	–	39,256	–	–	–	(29,690)	–	(29,690)
Share issue expenses	–	(22,052)	–	–	–	–	–	–	–	–	(22,052)	–	(22,052)
Purchase of shares held under Share Award Scheme	–	–	–	–	–	–	–	–	(22,140)	–	(22,140)	–	(22,140)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	503	503	(1,036)	(533)
Transfer from retained profits	–	–	–	–	–	2,315	–	–	–	(2,315)	–	–	–
At 31 December 2020	674	266,833*	(643)*	(22,753)*	14,023*	25,093*	39,256*	(7,932)*	(22,140)*	67,518*	359,929	12,908	372,837

* These reserve accounts comprise the consolidated reserves of RMB359,255,000 (2019: RMB59,804,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**38,551**	66,866
Adjustments for:			
Finance costs	7	**2,515**	4,515
Share of profits and losses of an associate and a joint venture		**527**	398
Interest income	5	**(2,206)**	(606)
Depreciation of property, plant and equipment	6	**830**	860
Depreciation of right-of-use assets	6	**6,083**	3,355
Gain on termination of operating leases	5	**(150)**	(1,144)
Amortisation of intangible assets	6	**110**	127
Impairment of trade receivables	6	**494**	786
Gain on disposal of investment in an associate	6	**—**	(586)
Fair value (gain)/loss on investment in entertainment project	6	**480**	(704)
Reversal of impairment of other receivables	6	**—**	(1,300)
		47,234	72,567
Decrease/(increase) in trade receivables		**(52,874)**	87,539
Decrease/(increase) in prepayments, deposits and other receivables		**(16,745)**	6,501
Decrease in trade payables		**(6,214)**	(13,400)
Increase/(decrease) in other payables and accruals		**11,766**	(22,363)
Cash generated from/(used in) operations		**(16,833)**	130,844
Taxes paid		**(12,228)**	(25,411)
Net cash flows generated from/(used in) operating activities		**(29,061)**	105,433
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**2,206**	606
Purchases of items of property, plant and equipment		**(899)**	(874)
Purchases of intangible assets		**(193)**	(163)
Settlement of entertainment projects, net		**1,114**	6,310
Proceeds from disposal of an associate		**—**	1,200
Proceeds from disposal of items of property, plant and equipment		**60**	—
Decrease/(increase) in pledged bank deposits		**8,266**	(8,940)
Net cash flows generated from/(used in) investing activities		**10,554**	(1,861)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(1,625)**	(3,328)
Dividends paid		**—**	(40,600)
New bank and other loans		**—**	74,813
Repayment of bank loans		**(74,813)**	(19,000)
Repurchase of shares		**(29,690)**	—
Purchase of shares under the Share Award Scheme		**(22,140)**	—
Proceeds from issue of shares	27	**357,774**	88
Share issue expenses		**(22,052)**	—
Investment in a joint venture		**(300)**	—
Acquisition of a non-controlling interest		**(533)**	(72,452)
Principal portion of lease payments	14	**(5,999)**	(2,376)
Interest portion of lease payments	14	**(890)**	(1,187)
Net cash flows generated from/(used in) financing activities		**199,732**	(64,042)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**181,225**	39,530
Cash and cash equivalents at beginning of year		**129,493**	88,397
Effect of foreign exchange rate changes, net		**(7,783)**	1,566
CASH AND CASH EQUIVALENTS AT END OF YEAR		**302,935**	129,493
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**193,583**	129,493
Non-pledged time deposits with original maturity of less than three months when acquired		**109,352**	—
Cash and cash equivalents as stated in the statement of financial position		**302,935**	129,493

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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 2020, the Company's subsidiaries were involved in the following principal activities:

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

Information about subsidiaries

Particulars of the Company's principal 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 *(note (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.	Singapore	SGD10,000	—	93.0	Provision of experiential marketing services
Activation Marketing Limited	Hong Kong	HK$1,000	—	100.0	Inactive
Activation Marketing Solution Limited	Hong Kong	HK$1,000	—	93.0	Inactive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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 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 *(note (i))**	PRC/ Mainland China	RMB10,000,000	—	93.0	Provision of experiential marketing services
Shanghai Aideweixuan Advertising Co., Limited 上海艾德韋宣廣告有限公司 *(note (i))**	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 *(note (i))**	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 *(note (i))**	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 *(note (i))**	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 *(note (i))**	PRC/ Mainland China	RMB5,000,000	—	83.7	Management and operation of sports events
Shanghai Aideweixuan Sports Management Co., Limited 上海艾德韋宣體育管理有限公司 *(note (i))**	PRC/ Mainland China	RMB6,660,000	—	83.8	Management and operation of sports events
Shanghai Aideweixuan Hangzhou Marketing Co., Limited ("Activation Hangzhou") 艾德韋宣(杭州)營銷策劃有限責任公司 *(note (i))**	PRC/ Mainland China	RMB1,000,000	—	93.0	Provision of experiential marketing services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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 Marketing Co., Limited ("Activation Marketing") 上海艾德韋宣營銷企劃有限公司 *(note (i))**	PRC/ Mainland China	RMB10,000,000	—	93.0	Provision of experiential marketing services
Shanghai Aidi Linjie Cultural Development Co., Limited 上海艾迪霖杰文化發展有限公司 *(note (i))**	PRC/ Mainland China	RMB1,000,000	—	93.0	Provision of public relations services
Shanghai Aiwang Technology Co., Limited ("Avant Plus") 上海艾望網絡科技有限公司 formerly known as 上海艾未文化傳播有限公司 *(note (i))**	PRC/ Mainland China	RMB10,000,000	—	93.0	Provision of application development services
Shanghai Enterprise Management Co., Limited ("Activation Project 23") 上海艾德韋宣企業管理有限公司 formerly known as 上海帛銘企業形象策劃有限公司 *(note (i))**	PRC/ Mainland China	RMB833,300	—	93.0	Provision of experiential marketing services
Shanghai Fansi Advertising Co., Limited ("Activation Digital") 上海范思廣告有限公司 *(note (i))**	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) Limited liability companies established in the PRC

(ii) Joint stock limited company established in the PRC

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group, or are of particular importance to the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.1 BASIS OF PREPARATION

These 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.

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 2020. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(b) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any impact on the financial position and performance of the Group.

(e) 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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.3 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	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3,6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3,5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*[2]

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

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 No mandatory effective date yet determined but available for adoption

5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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

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 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint venture

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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint venture 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.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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.

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 2020

2.4 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 2020

2.4 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 2020

2.4 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 2020

2.4 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 2020

2.4 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 lease. 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 2020

2.4 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 is 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 2020

2.4 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 2020

2.4 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 2020

2.4 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

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 2020

2.4 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 2020

2.4 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 2020

2.4 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, and 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 2020

2.4 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 tax 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 subsidies

Government subsidies 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 subsidies relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs for which it is intended to compensate, are expensed.

Where the subsidies 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 2020

2.4 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 on the 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 at 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 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

IP Activation

(a) Sports and entertainment related 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 2020

2.4 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

The functional currency of the Company is the Hong Kong dollar. Because most of the subsidiaries' functional currencies are RMB, the presentation currency of the Company in the financial statements is RMB. 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 2020

2.4 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 2020

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 geographical region).

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 20 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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 2020

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2020/At 31 December 2020

	Integrated marketing solutions *RMB'000*	IP development *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*			
Sales to external customers	444,740	13,259	457,999
Segment results	48,189	44	48,233
Reconciliation:			
Corporate and other unallocated expenses, net			(7,167)
Finance costs			(2,515)
Profit before tax			38,551
Segment assets	384,051	36,843	420,894
Reconciliation:			
Corporate and other unallocated assets			167,708
Total assets			588,602
Segment liabilities	164,076	13,088	177,164
Reconciliation:			
Corporate and other unallocated liabilities			38,601
Total liabilities			215,765
Other segment information			
Depreciation and amortisation	920	20	940
Impairment of trade receivables	396	98	494
Capital expenditure*	1,065	27	1,092

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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 2020

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2020	2019
	RMB'000	*RMB'000*
Mainland China	**445,744**	626,915
Hong Kong/Singapore	**12,255**	34,859
	457,999	661,774

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

(b) Non-current assets

	2020	2019
	RMB'000	*RMB'000*
Mainland China	**12,621**	12,374
Hong Kong/Singapore	**5,129**	5,512
	17,750	17,886

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 customers

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 2020 and 2019 is as follows:

	2020	2019
	RMB'000	*RMB'000*
Customer	**127,709**	73,593

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Major service lines		
Integrated marketing solutions		
Experiential marketing services	**311,488**	470,843
Digital and brand communication services	**118,605**	110,470
Public relations services	**14,647**	35,250
	444,740	616,563
IP development		
Sports and entertainment services	**13,259**	45,211
	457,999	661,774

(i) Disaggregated revenue information

	2020	2019
Geographical locations		
Integrated marketing solutions		
Mainland China	**432,486**	581,704
Hong Kong/Singapore	**12,254**	34,859
	444,740	616,563
IP development		
Mainland China	**13,259**	45,211
Total revenue from contracts with customers	**457,999**	661,774
Timing of revenue recognition		
At a point in time	**324,747**	516,054
Over time*	**133,252**	145,720
Total revenue from contracts with customers	**457,999**	661,774

* Included projects in retainer basis

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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:

	2020	2019
	RMB'000	*RMB'000*
Integrated marketing solutions	**713**	5,712
IP development	**264**	8,364
	977	14,076

(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 2020

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

Revenue from contracts with customers *(Continued)*

An analysis of other income and gains is as follows:

	2020	2019
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**2,206**	606
Government subsidies*	**9,873**	6,819
Compensation	**—**	7,992
Gain on disposal of an associate	**—**	586
Gain on termination of operating leases	**150**	1,144
Others	**1,009**	1,995
	13,238	19,142

* The government subsidies mainly represented subsidies 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 and subsidies granted under Employment Support Scheme from the Government of the Hong Kong Special Administrative Region. There were no unfulfilled conditions or contingencies relating to these government subsidies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

6. PROFIT BEFORE TAX

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

	Notes	**2020** **RMB'000**	2019 RMB'000
Cost of services rendered		**326,346**	463,646
Depreciation of property, plant and equipment**	*13*	**830**	860
Depreciation of right-of-use assets**	*14*	**6,083**	3,355
Amortisation of intangible assets**	*16*	**110**	127
Auditor's remuneration		**1,421**	1,038
Lease payments not included in the measurement of lease liabilities	*14*	**129**	2,728
Employee benefit expense (including directors' and chief executive's remuneration *(note 8)*):			
Wages, salaries, bonuses and allowances		**71,753**	88,607
Pension scheme contributions (defined contribution schemes)		**3,557**	3,660
		75,310	92,267
Fair value loss/(gain) on investment in entertainment projects*		**480**	(704)
Gain on disposal of investments in associates		**—**	(586)
Impairment of trade receivables, net*	*20*	**494**	786
Reversal of impairment of other receivables*		**—**	(1,300)
Foreign exchange differences, net		**(919)**	1,445

* 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 2020

7. FINANCE COSTS

	Note	2020 RMB'000	2019 RMB'000
Interest on bank and other borrowings		**1,625**	3,328
Interest on lease liabilities	*14*	**890**	1,187
		2,515	4,515

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, 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:

	2020 RMB'000	2019 RMB'000
Fees	**480**	—
Other emoluments:		
Salaries, bonuses and allowances	**6,508**	5,546
Pension scheme contributions	**150**	28
	6,658	5,574
	7,138	5,574

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2020 RMB'000	2019 RMB'000
Ms. Cheung	**160**	—
Mr. Yu	**160**	—
Dr. Cheung	**160**	—
	480	—

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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 2020				
Mr. Ng	**1,376**	**—**	**50**	**1,426**
Mr. Lau*	**1,435**	**—**	**38**	**1,473**
Mr. Chan	**1,208**	**488**	**38**	**1,734**
Ms. Low	**1,484**	**517**	**24**	**2,025**
	5,503	**1,005**	**150**	**6,658**
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

* Chief executive officer of the Group

Mr. Ng Bo Sing ("Mr. Ng") was appointed as director of the Company on 27 February 2019 and re-designated as executive director 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 (2019: Nil).

There was no arrangement under which a director or a chief executive waived or agreed to waive any remuneration during the year (2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included four directors (2019: 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 is as follows:

	2020	2019
	RMB'000	*RMB'000*
Salaries, allowances and discretionary bonuses	**1,707**	1,995
Pension scheme contributions (defined contribution scheme)	**16**	16
	1,723	2,011

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

	2020	2019
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**—**	—
HK$1,500,001 to HK$2,000,000	**1**	—
HK$2,000,001 to HK$2,500,000	**—**	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% (2019: 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% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

For the subsidiary incorporated in Singapore, Singapore profits tax has been provided at the rate of 17% (2019: 17%) on the estimated assessable profits arising in Singapore during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

10. INCOME TAX *(Continued)*

	2020	2019
	RMB'000	*RMB'000*
Current — PRC		
Charge for the year	**13,221**	22,927
Current — Hong Kong/Singapore		
Charge for the year	**—**	1,225
Under-provision in prior year	**114**	—
Deferred *(note 26)*	**(14)**	1,843
Total tax charge for the year	**13,321**	25,995

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

	2020	2019
	RMB'000	*RMB'000*
Profit before tax	**38,551**	66,866
Tax at the PRC statutory tax rate of 25%	**9,638**	16,717
Lower tax rates enacted by overseas authorities	**737**	1,832
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**—**	1,234
Adjustments in respect of current tax of previous periods	**114**	—
Income not subject to tax	**(699)**	(155)
Expenses not deductible for tax	**2,174**	6,622
Tax losses not recognised	**1,813**	809
Tax losses utilised from previous periods	**(364)**	(512)
Others	**(92)**	(552)
Tax charge at the Group's effective tax rate	**13,321**	25,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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:

	2020	2019
	RMB'000	*RMB'000*
Dividends	—	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 2020 is based on the profit attributable to ordinary equity holders of the parent of RMB23,423,000 (2019: RMB29,969,000), and the weighted average number of the Company's ordinary shares of 768,821,000 (2019: 600,000,000) in issue, comprising 200,000,000 shares issued after the completion of the global offering less share repurchase of 39,164,000 shares and 14,720,000 shares held under share award scheme and treasury shares during the year.

No adjustment has been made to the basic earnings per share presented for the years ended 31 December 2020 and 2019 as the Group had no potentially dilutive ordinary shares in issue during those periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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 2020					
At 31 December 2019 and 1 January 2020:					
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
At 1 January 2020, net of accumulated depreciation	490	75	1,218	90	1,873
Additions	310	78	511	—	899
Disposal/write off	(51)	—	(1)	(8)	(60)
Depreciation provided for the year	(108)	(35)	(632)	(55)	(830)
Exchange realignment	—	—	(1)	—	(1)
At 31 December 2020, net of accumulated depreciation	641	118	1,095	27	1,881
At 31 December 2020:					
Cost	1,165	848	5,283	740	8,036
Accumulated depreciation	(524)	(730)	(4,188)	(713)	(6,155)
Net carrying amount	641	118	1,095	27	1,881

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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 2019					
At 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

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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:

	2020	2019
	RMB'000	*RMB'000*
At 1 January	**16,569**	10,057
Additions during the year	**4,416**	18,835
Termination of leases	**(1,954)**	(8,968)
Depreciation provided for the year	**(6,083)**	(3,355)
At 31 December	**12,948**	16,569

(b) Lease liabilities

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

	2020	2019
	RMB'000	*RMB'000*
Carrying amount at 1 January	**17,432**	11,045
New leases	**4,416**	18,835
Termination of leases	**(2,104)**	(10,112)
Accretion of interest recognised during the year	**890**	1,187
Payments	**(6,889)**	(3,563)
Exchange realignment	**(3)**	40
Carrying amount at 31 December	**13,742**	17,432
Analysed into:		
Current portion	**4,495**	4,175
Non-current portion	**9,247**	13,257

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

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14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

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

	2020	2019
	RMB'000	*RMB'000*
Interest on lease liabilities	**890**	1,187
Depreciation charge of right-of-use assets	**6,083**	3,355
Expense relating to short-term leases	**129**	2,728
Total amount recognised in profit or loss	**7,102**	7,270

(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 2019, 31 December 2019, 1 January 2020 and 31 December 2020	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 17.9% (2019: 17.9%) for the recoverable amount, which is determined by reference to the 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% (2019: 3%) for the recoverable amount, with reference to certain external data. The cash flow projections are determined based on past performance and management's expectations for market development.

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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 17.9% (2019: 17.9%) for the recoverable amount, which is determined by reference to the 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% (2019: 3%) for the recoverable amount, with reference to certain external data. 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:

	2020	2019
	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 2020 and 31 December 2019. 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.

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15. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

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.

16. INTANGIBLE ASSETS

	Computer software *RMB'000*
31 December 2020	
Cost at 1 January 2020, net of accumulated amortisation	**268**
Additions — acquired separately	**193**
Amortisation provided during the year	**(110)**
At 31 December 2020	**351**
At 31 December 2020:	
Cost	**958**
Accumulated amortisation	**(607)**
Net carrying amount	**351**
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 and at 1 January 2020:	
Cost	765
Accumulated amortisation	(497)
Net carrying amount	268
At 1 January 2019:	
Cost	602
Accumulated amortisation	(370)
Net carrying amount	232

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17. INVESTMENT IN A JOINT VENTURE

	2020	2019
	RMB'000	*RMB'000*
Share of net assets	**156**	—

Particulars of the Group's joint venture are as follows:

Name	**Particulars of issued shares held**	**Place of registration and business**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Shanghai Aideweixuan Sport Technology Co., Limited* 上海艾德韋宣體育科技有限公司(「體育科技」)	Registered capital	PRC	51% (2019: Nil)	Provision of application development 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.

The Group's interest in the joint venture is held through an indirectly wholly-owned subsidiary of the Company.

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

18. INVESTMENT IN AN ASSOCIATE

	2020	2019
	RMB'000	*RMB'000*
Share of net assets	**5,129**	5,512

Particulars of the associate are as follows:

Name	**Particulars of issued shares held**	**Place of incorporation and business**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Stufish Asia Limited ("Stufish Asia")	Ordinary shares	Hong Kong	41.65% (2019: 41.65%)	Provision of live entertainment services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. INVESTMENT IN AN ASSOCIATE *(Continued)*

The Group's shareholding in the associate is held through an indirectly wholly-owned subsidiary of the Company.

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

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

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.

	2020	2019
	RMB'000	*RMB'000*
Current assets	**3,987**	5,326
Non-current assets	**8,422**	8,966
Current liabilities	**(94)**	(1,058)
Net assets	**12,315**	13,234
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	**5,129**	5,512
Carrying amount of the investment	**5,129**	5,512
Revenue	**—**	70,906
Loss and total comprehensive loss for the year	**(920)**	(957)

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 2020 and 31 December 2019, and hence no provision for impairment was necessary for the investment in Stufish Asia.

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19. INVESTMENTS IN ENTERTAINMENT PROJECTS

	2020	2019
	RMB'000	*RMB'000*
Investments in entertainment projects, at fair value	**—**	1,594

During the years ended 31 December 2020 and 2019, 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 are classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

20. TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Billed receivables	**123,091**	106,457
Impairment	**(2,087)**	(2,204)
	121,004	104,253
Unbilled receivables	**101,698**	66,069
	222,702	170,322

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, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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20. TRADE RECEIVABLES *(Continued)*

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:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**98,285**	57,894
1 to 3 months	**16,008**	33,179
Over 3 months	**6,711**	13,180
	121,004	104,253

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

	2020	2019
	RMB'000	*RMB'000*
At beginning of year	**2,204**	3,618
Impairment losses, net *(note 6)*	**494**	786
Amount written off as uncollectible	**(611)**	(2,200)
At end of year	**2,087**	2,204

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates were based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region). 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.

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20. 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 2020

		Past due				
	Current	**Less than 1 month**	**1 to 3 months**	**4 months to 1 year**	**Over 1 year**	**Total**
Expected credit loss rate	**0.03%**	**0.03%**	**0.51%**	**6.27%**	**100%**	**0.93%**
Gross carrying amount *(RMB'000)*	**185,397**	**14,181**	**11,898**	**12,110**	**1,203**	**224,789**
Expected credit losses *(RMB'000)*	**60**	**4**	**61**	**759**	**1,203**	**2,087**

As at 31 December 2019

		Past due				
	Current	Less than 1 month	1 to 3 months	4 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)*	40	1	37	772	1,354	2,204

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Prepayments	**28,162**	11,126
Deposits	**2,547**	3,120
Other receivables	**360**	78
	31,069	14,324
Impairment	**—**	—
	31,069	14,324

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

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

	2020	2019
	RMB'000	*RMB'000*
At beginning of year	**—**	1,300
Reversal of impairment	**—**	(1,300)
At end of year	**—**	—

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 2020 and 2019, the loss allowance was assessed to be minimal.

22. CASH AND CASH EQUIVALENTS

		2020	2019
	Note	***RMB'000***	*RMB'000*
Cash and bank balances		**193,583**	129,493
Time deposits		**110,026**	8,940
		303,609	138,433
Less: Pledged time deposits:			
Pledged for business credit card facility		**(674)**	—
Pledged for bank overdraft facilities	*25*	**—**	(8,940)
Cash and cash equivalents		**302,935**	129,493

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

	2020	2019
	RMB'000	*RMB'000*
RMB	**173,857**	119,964
Others	**129,078**	9,529
Cash and cash equivalents	**302,935**	129,493

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22. CASH AND CASH EQUIVALENTS *(Continued)*

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 not more than 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.

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:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**121,751**	109,392
1 to 3 months	**2,802**	19,279
Over 3 months	**18,906**	21,002
	143,459	149,673

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

24. OTHER PAYABLES AND ACCRUALS

		2020	2019
	Notes	***RMB'000***	*RMB'000*
Contract liabilities	*(a)*	**11,756**	977
Dividend payable		**5,600**	5,600
Other payables and accruals	*(b)*	**27,957**	26,970
		45,313	33,547

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24. OTHER PAYABLES AND ACCRUALS *(Continued)*

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:

	2020	2019
	RMB'000	*RMB'000*
Integrated marketing solutions	**8,913**	713
IP development	**2,843**	264
	11,756	977

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

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2020	2019
	Notes	***RMB'000***	*RMB'000*
Current			
Bank borrowings repayable within one year or on demand — unsecured	*(a)*	—	10,000
Bank borrowings repayable within one year or on demand — secured	*(b)*	—	11,173
Other borrowings repayable within one year or on demand — secured	*(c)*	—	53,640
		—	74,813

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

	2020	2019
	RMB'000	*RMB'000*
RMB	—	10,000
HK$	—	64,813
	—	74,813

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

Notes:

(a) The unsecured bank borrowings bore interest at the Bank of China's Loan Prime Rate plus 0.635% per annum in 2019. The borrowing was fully repaid on 3 March 2020.

(b) As at 31 December 2019, the secured bank borrowing bore interest at the Hong Kong Interbank Offered Rate plus 3.25% per annum and was secured by the pledge of the Group's time deposits amounting to RMB8,940,000. The borrowing was fully repaid on 24 January 2020.

(c) As at 31 December 2019, the secured other borrowing bore interest at a fixed rate of 15% per annum and is secured by the issued shares of a subsidiary, shares of the Company held by certain shareholders of the Company, and guarantee of certain directors of the Company. The other borrowing was fully repaid on 2 March 2020.

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 2019		250
Deferred tax credited to profit or loss during the year	*10*	(40)
At 31 December 2019 and 1 January 2020		210
Deferred tax credited to profit or loss during the year	*10*	(13)
At 31 December 2020		197

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26. DEFERRED TAX *(Continued)*

Deferred tax assets

	Note	**Impairment of financial assets** *RMB'000*	**Deferred income** *RMB'000*	**Total** *RMB'000*
At 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 and 1 January 2020		551	—	551
Deferred tax credited to profit or loss during the year	*10*	1	—	1
Exchange differences		(28)	—	(28)
At 31 December 2020		524	—	524

The Group has tax losses arising in Mainland China of approximately RMB25,151,000 (2019: RMB22,413,000) as at 31 December 2020, that will expire in one to five years for offsetting against future taxable profits.

The Group also has tax losses arising in Hong Kong of RMB1,334,000 (2019: RMB3,502,000) that are available indefinitely for offsetting against future taxable profit of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of the tax losses as at 31 December 2020 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.

At 31 December 2020, 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 RMB139,597,000 at 31 December 2020 (2019: RMB109,680,000).

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

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27. ISSUED CAPITAL

Shares

	2020 *RMB'000*	2019 *RMB'000*
Authorised:		
10,000,000,000 ordinary shares of HK$0.001 each	**8,800**	8,800
Issued and fully paid:		
100,000,000 ordinary shares of HK$0.001 each	**674**	88

A summary of movements in the Company's authorised 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 on 19 December 2019	*(c)*	9,620,000,000	8,466
At 16 January 2020 and at 31 December 2020		10,000,000,000	8,800

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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: *(continued)*

	Notes	Number of shares	Share capital RMB'000	Share premium RMB'000
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 and at 1 January 2020		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, net of share issue expense	*(f)*	200,000,000	176	335,106
Repurchases and cancellation of 38,184,000 ordinary shares of HK$0.001 during the year	*(g)*	(38,184,000)	(30)	(68,273)
At 31 December 2020		761,816,000	674	266,833

(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 HK$0.1 was issued at par for cash.

(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 our 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.

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27. ISSUED CAPITAL *(Continued)*

Shares *(Continued)*

(d) On 22 July 2019, 99,999,900 ordinary shares of the Company were issued at a par value of HK$0.001 each.

(e) Pursuant to the written resolutions of the shareholders of the Company passed on 19 December 2019, 500,000,000 ordinary shares of HK$0.001 each were allotted and issued, credited as fully paid at par, by way of capitalisation from the share premium account to the holders of shares whose names appeared on the register of members of the Company at the close of business on 16 January 2020. This allotment and capitalisation issue were conditional on the share premium account being credited as a result of the issue of new shares 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 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. Share issue expense of RMB22,052,000 was charged to share premium account.

(g) During the year ended 31 December 2020, the Company repurchased 39,164,000 of its shares on the Stock Exchange for an aggregate consideration of approximately RMB29,690,000, which was paid in accordance with section 257 of the Hong Kong Companies Ordinance and 38,184,000 shares repurchased were cancelled during the year. Upon the cancellation of 38,184,000 shares repurchased, the issued share capital and share premium account of the Company were reduced by approximately RMB30,000 and RMB68,273,000, respectively. The balance of remaining uncancelled 980,000 shares repurchased of approximately RMB643,000 was transferred to treasury shares of the Company. The difference between the aggregate consideration paid and the change in balances of issued capital, share premium account and treasury shares for the share repurchase was credited to the capital redemption reserve account of the Company.

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28. SHARE OPTION SCHEME AND SHARE AWARD PLAN

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 with 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, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (c) below to the following persons (the "Eligible Participants"):

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

(iii) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group, the assessment criteria of which are:

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

(b) quality of work performed for the Group; initiative and commitment in performing his/her duties; and

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

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28. SHARE OPTION SCHEME AND SHARE AWARD PLAN *(Continued)*

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 such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

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

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

(iii) the nominal value of a Share.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

28. SHARE OPTION SCHEME AND SHARE AWARD PLAN *(Continued)*

Share option scheme *(Continued)*

(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.

Share award scheme

On 30 March 2020 (the "Adoption Date"), the Company adopted a share award scheme (the "Share Award Scheme") for the purpose of recognising and rewarding the contributions to eligible participants to the growth and development of the Group, to give incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for the growth and further development of the Group.

Eligible person of the Share Award Scheme include, inter alia, employees, non-executive directors, advisors or any other group or classes of participants of the Group. The Share Award Scheme will be valid and effective for a term of 10 years commencing from the Adoption Date, unless otherwise terminated or amended.

The maximum number of shares of the Group currently permitted to be awarded under the Share Award Scheme shall not exceed 15% of the entire issued share capital of the Company as at the Adoption Date.

The eligible person for participation in the Share Award Scheme is selected and the number of shares to be awarded under the Share Award Scheme is determined by the board of directors. The shares to be awarded under the Share Award Scheme may be purchased by a trustee (the "Trustee") from the open market out of cash contributed by the Group and be held on trust for the selected participants until such shares are vested with the selected participants in accordance with the provisions of the Share Award Scheme.

The Trustee shall not exercise the voting rights in respect of any shares of the Company held by it under the Trust, including but not limited to the awarded shares, any bonus shares and scrip shares.

During the year, the Trustee acquired for the Share Award Scheme 14,720,000 shares of the Company through purchases on the open market at a total cost of approximately RMB22,140,000.

During the year, no shares has been granted to participants. The Share Award Scheme does not constitute a share option scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on pages 98 to 99 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 for wholly-foreign-owned enterprises, 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

Other reserve mainly represented the difference between the investment cost and the nominal value of the registered capital of the Activation Group prior to the reorganisation of the Group and the difference between the acquisition of additional equity interest in a subsidiary from the non-controlling shareholder and the consideration paid.

(e) Capital redemption reserve

Capital redemption reserve mainly represented the difference between the aggregate consideration paid and the change in balances of issued capital, share premium account and treasury shares for the shares of the Company repurchased.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB4,416,000 (2019: RMB18,835,000) and RMB4,416,000 (2019: RMB18,835,000), respectively, in respect of lease arrangements for certain leased properties.

(ii) During the year ended 31 December 2020, the Group had non-cash termination of certain existing leases resulting in derecognition of right-of-use assets and lease liabilities of RMB1,954,000 (2019: RMB8,968,000) and RMB2,104,000 (2019: RMB10,112,000), respectively, and corresponding recognition of gain on lease termination of RMB150,000 (2019: RMB1,144,000), in respect of lease arrangements for leased properties.

(b) Changes in liabilities arising from financing activities

	Lease liabilities *RMB'000*	Interest-bearing bank and other borrowings *RMB'000*
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	—
Termination of leases	(10,112)	—
Foreign exchange movement	40	—
At 31 December 2019 and at 1 January 2020	17,432	74,813
Changes from financing cash flows	(6,889)	(74,813)
New leases entered during the year	4,416	—
Interest expense	890	—
Termination of leases	(2,104)	—
Foreign exchange movement	(3)	—
At 31 December 2020	13,742	—

(c) Total cash outflow for leases

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

	2020 ***RMB'000***	2019 *RMB'000*
Within operating activities	**129**	2,728
Within financing activities	**6,889**	3,563
	7,018	6,291

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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:

	2020	2019
	RMB'000	*RMB'000*
Related company:		
Expenses relating to short-term leases	—	2,250
Lease expenses	**2,294**	—

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

During the current year, lease expenses in connection with the lease arrangements comprised of depreciation charge of right-of-use assets and interest on lease liabilities amounting to RMB2,116,000 and RMB178,000, respectively (2019: Nil). During the current year, lease payments of RMB2,250,000 were paid to the related company under lease arrangements. The Group had additions to right-of-use assets and lease liabilities of RMB4,232,000 (2019: Nil) and RMB4,232,000 (2019: Nil), respectively, in respect of lease arrangements for certain leased properties with related company during the year.

(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:

	2020	2019
	RMB'000	*RMB'000*
Short-term employee benefits	**12,953**	11,953
Post-employment benefits	**348**	136
Total compensation paid to key management personnel	**13,301**	12,089

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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

	Mandatorily designated as financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2020			
Trade receivables	**—**	**222,702**	**222,702**
Financial assets included in prepayments, deposits and other receivables	**—**	**2,907**	**2,907**
Pledged bank deposits	**—**	**674**	**674**
Cash and cash equivalents	**—**	**302,935**	**302,935**
	—	**529,218**	**529,218**
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

32. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
31 December 2020	
Trade payables	**143,459**
Financial liabilities included in other payables and accruals	**8,067**
Lease liabilities	**13,742**
	165,268
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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	
	2020	2019
	RMB'000	*RMB'000*
Financial assets		
Investments in entertainment projects	—	1,594

	Fair values	
	2020	2019
	RMB'000	*RMB'000*
Financial assets		
Investments in entertainment projects	—	1,594

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, interest-bearing bank and other borrowings and leases liabilities 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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

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

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

	2020	2019
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss:		
At 1 January	**1,594**	7,200
Net gain/(loss) recognised in profit or loss	**(480)**	704
Settlements	**(1,114)**	(6,310)
At 31 December	**—**	1,594

The Group did not have any financial liabilities measured at fair value as at the year end.

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 financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise lease liabilities, 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 trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables 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.

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

The directors of the Company consider that the Group's exposure to interest rate risk as of 31 December 2020 was not significant.

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 2020

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 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	—	—	—	224,789	224,789
Financial assets included in prepayments, deposits and other receivables					
— Normal**	2,907	—	—	—	2,907
— Doubtful**	—	—	—	—	—
Pledged bank deposits					
— Not yet past due	674	—	—	—	674
Cash and cash equivalents					
— Not yet past due	302,935	—	—	—	302,935
	306,516	—	—	224,789	531,305

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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

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

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

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 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:

	2020	2019
	%	%
Trade receivables from:		
The largest debtor	**18**	7
The five largest debtors	**50**	30

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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 2020				
Trade payables	—	**143,459**	—	**143,459**
Financial liabilities included in other payables and accruals	—	**8,067**	—	**8,067**
Lease liabilities	—	**5,010**	**10,220**	**15,230**
	—	**156,536**	**10,220**	**166,756**
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

As at 31 December 2019, the interest-bearing bank and other borrowings of RMB74,813,000 contained a 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".

Notwithstanding the above clause, the directors did not believe that the borrowings would be called in their entirety at any time and they considered that the borrowings would 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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

Liquidity risk *(Continued)*

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

	2020	2019
	RMB'000	*RMB'000*
Less than 1 year	**—**	76,394

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 2020 and 2019.

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:

	2020	2019
	RMB'000	*RMB'000*
Interest-bearing bank and other borrowings *(note 25)*	**—**	74,813
Lease liabilit*ies (note 14)*	**13,742**	17,432
Total debt	**13,742**	92,245
Total equity	**372,837**	72,029
Gearing ratio (%)	**3.69**	128.07

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

35. 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:

	2020	2019
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**37,729**	37,729
CURRENT ASSETS		
Cash and bank balances	**118,477**	69
Prepayment, deposits and other receivables	**122**	—
Due from subsidiaries	**160,720**	50,020
Due from shareholder	**63**	—
Total current assets	**279,382**	50,089
CURRENT LIABILITIES		
Due to subsidiary	**—**	91
Other payables and accruals	**1,696**	693
Other borrowings	**—**	53,640
Total current liabilities	**1,696**	54,424
NET CURRENT ASSETS	**277,686**	(4,335)
NET LIABILITIES	**315,415**	33,394
EQUITY		
Issued capital	**674**	88
Reserves *(note)*	**314,741**	33,306
Total equity	**315,415**	33,394

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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

Note:

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

	Share premium	Treasury shares	Other reserve	Capital redemption reserve	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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 and 1 January 2020	—	—	37,641	—	(67)	(4,268)	33,306
Loss for the year	—	—	—	—	—	(7,249)	(7,249)
Other comprehensive loss for the year	—	—	—	—	(16,762)	—	(16,762)
Issue of shares	357,158	—	—	—	—	—	357,158
Share repurchased	(68,273)	(643)	—	39,256	—	—	(29,660)
Share issue expenses	(22,052)	—	—	—	—	—	(22,052)
At 31 December 2020	266,833	(643)	37,641	39,256	(16,829)	(11,517)	314,741

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2021.

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

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
"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
"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
"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
"BVI"	British Virgin Islands
"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

DEFINITIONS

"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
"FY2019" or "2019"	the financial year ended 31 December 2019
"FY2020" or "2020"	the financial year ended 31 December 2020
"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
"IP"	intellectual property
"IP Cooperation Agreements"	collectively, the LaLiga Cooperation Agreements and the ASO Cooperation Agreements
"IP development"	also known as IP activation, the business which involves introducing, developing and growing an IP for clients
"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

DEFINITIONS

"Latest Practicable Date"	20 April 2021, 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
"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

DEFINITIONS

"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