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

2022 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

COMPANY SECRETARY

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. Lau 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

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SHARE LISTING

Main Board of the Stock Exchange of Hong Kong Limited ("**SEHK**")

STOCK CODE

SEHK: 9919

LISTING DATE

16 January 2020

INVESTOR AND MEDIA RELATIONS CONSULTANT

DLK Advisory Limited
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COMPANY WEBSITE

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HIGHLIGHTS OF THE YEAR

EXPERIENTIAL MARKETING

LOUIS VUITTON 路易威登

Louis Vuitton Men's Spring-Summer 2023 Spin-off show

GUCCI 古馳

GUCCI Beauty Pop-up

DIOR 迪奥

2022 Haute Joailleriet Event

HIGHLIGHTS OF THE YEAR

EXPERIENTIAL MARKETING



PRADA 普拉達

Prada FW22 Menswear and Womenswear Fashion Show

VAN CLEEF & ARPELS 梵克雅寶

"Van Cleef & Arpels Time, Nature, Love" Exhibition





ROLLS-ROYCE 勞斯萊斯

2022 RRMC Phantom Series II Launch & Experience Campaign

HIGHLIGHTS OF THE YEAR

EXPERIENTIAL MARKETING

MERCEDES-BENZ 梅賽德斯奔馳

The All New EQE Space

冰淇淋博物館

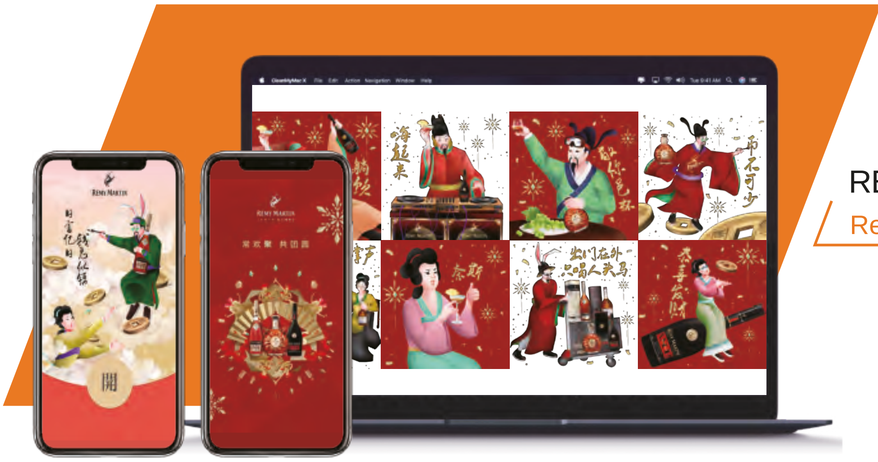
MUSEUM OF ICE CREAM

TAIKOO LI 太古里

Taikoo Li Qiantan Lux Open 2022

HIGHLIGHTS OF THE YEAR

DIGITAL & COMMUNICATION



REMY MARTIN 人頭馬

Remy Martin 2023 CNY Social Campaign

LAND ROVER 路虎

The New Range Rover Launch Event

NEW BALANCE 新百倫

Performance Marketing

HIGHLIGHTS OF THE YEAR

IP DEVELOPMENT

WDCC 世界設計之都大會

2022 World Design City Conference

DUNIVERSE 設計元宇宙

Metaverse Branch of
2022 World Design Cities Conference

TOUR DE FRANCE 環法自行車賽

The L'etape Hub

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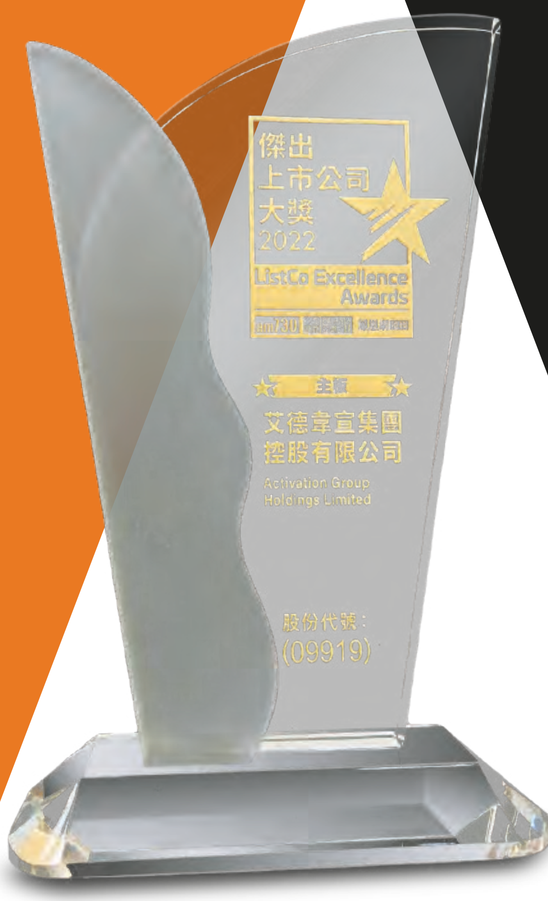
- LISTCO EXCELLENCE AWARDS 2022
- BEST SMALL-MEDIUM MARKET VALUE COMPANIES 2022
  The 7th Zhitong Finance and Economics listed companies selected
- BEST METAVERSE MARKETING SCENE PRACTICE AWARD
  TMT POST INNOVATIVE SCENARIO 50



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 2022 ("**FY2022**"), together with the comparative audited figures for the year ended 31 December 2021 ("**FY2021**").

The Group is a leading interactive data performance marketing group for pan-fashion (泛時尚) brands in Greater China, with a focus on the provision of (i) experiential marketing; (ii) digital and communication; and (iii) intellectual property ("**IP**") development. The Group has accumulated over 500 world-renowned brand clients, including (i) renowned mid-range and high-end fashion brands; (ii) renowned mid-range and high-end automobile brands; and (iii) Chinese local premium brands.

In 2022, the world economy faced various challenges. The Russia-Ukraine war and the Covid-19 pandemic in China have put much pressure on the global economy in the first half of 2022. However, despite the challenging environment, the Group still records profits in FY2022.

OVERVIEW

The Group's business has demonstrated a strong rebound from a loss in the first half of 2022 to a profit in the second half of 2022. The Group recorded a revenue and net profit of RMB522.0 million and RMB36.7 million respectively for the second half of 2022, as compared to a revenue of RMB172.8 million and a loss of RMB8.5 million in the first half of 2022. The overall business growth in the second half of 2022 is because of the increase in clients' demand for data interactive brand promotion following the relaxation of local government restrictions.

The revenue of the Group for FY2022 was approximately RMB694.8 million (FY2021: RMB904.1 million). The decline in revenue is mainly due to the impact of the resurgence of the pandemic and lockdown of certain cities in the PRC during the first half of 2022, resulting in the cancellation or postponement of large-scale marketing activities, together with the restrictions on operations in Shanghai, where the headquarter of the Company and most of its clients are located. The net profit of the Group for FY2022 was about RMB28.2 million (FY2021: RMB102.6 million) and the net profit margin for the Group was about 4.1% in FY2022 (FY2021: 11.3%). The profit attributable to equity shareholders of the Company was RMB23.6 million (FY2021: RMB92.5 million). The basic earnings per share were RMB3.21 cents (FY2021: RMB12.51 cents). Excluding the expenses arising from (i) the share awards granted in the amount of RMB18.5 million (FY2020: nil); and (ii) withholding tax relating to dividend payment from subsidiaries in the amount of RMB7.8 million (FY2021: nil), the Group recorded an adjusted net profit of RMB54.5 million and adjusted net profit margin of 7.8% for FY2022.

CHAIRMAN'S STATEMENT

OUTLOOK AND STRATEGY

The Group is confident in the overall business operations in 2023. With the significant recovery of business in the second half of 2022 following the relaxation of local government restriction policies from the pandemic, it is expected to have a growth on the luxury goods consumption in the next few years. The Group has obtained a number of marketing service projects from both global and domestic clients in the PRC and Hong Kong which are to be conducted in 2023.

According to "2022 China Luxury Market Report" by Bain & Company, the decline in luxury sales in 2022 is only a temporary setback. In 2023, as China gradually recovers from the impact of the pandemic, it is expected that the luxury market will be back on track, and the consumption fundamentals of the Chinese market are still stable. Compared with other emerging markets, China has more middle to high-income consumers, which is expected to double by 2030. This shows that China remains an important growth engine in the global luxury market. Despite the global economic slowdown, the China luxury market will continue to grow and is expected to reach US$412 billion in 2025.

As the market leader of luxury experiential marketing service provider, with over 550 clients from international and local mid-to-high-end brands, the Group believes that luxury brands will be highly motivated to conduct massive advertising and promotional activities in the Chinese market in the future.

Looking ahead to the future, the Group is brimming with confidence in its ability to achieve and exceed its developmental goals, and the strategies in the following directions:

(i) Experiential marketing business

The Group is committed to sustaining its focus on its core business of experiential marketing by increasing its client base and expanding the number of events. According to a report by Bain and Company, China's middle class is growing at an unprecedented rate and is increasingly becoming more affluent. As a result, the middle class now has greater disposable income to spend on luxury products and experiences. Chinese consumers are seeking unique and personalized luxury experiences, such as luxury travel, fine dining, and cultural experiences, which presents a significant opportunity for luxury marketers. Brands that create bespoke experiences that cater to the unique preferences of Chinese consumers are likely to succeed in this market.

Furthermore, according to the "China Luxury Report 2022" released by the YaoK Institute, in the Chinese market, in 2022, the Chinese luxury market sales reached RMB956 billion, accounting for 38% of the global luxury market. The Chinese people are still the most important force in the global luxury consumption, with the country projected to become the world's largest luxury market by 2025. Therefore, The Group believes that luxury brands will be highly motivated to conduct massive advertising and promotional activities in the Chinese market in the upcoming years.

The Group's experiential marketing services do not only focus on offline channels but also leverage the power of data interactive marketing to offer massive online exposure to clients. Therefore, the Group expects its future experiential marketing activities to grow steadily and will take advantage of the vast opportunities presented by China's rapidly expanding luxury market.

CHAIRMAN'S STATEMENT

(ii) Digital and communication business

In order to expand the digital and communication services business, the Group will continue to increase the investment in digital marketing and seek for acquisition or cooperation partners. The latest report by ChinaIRN shows that the size of China's advertising market reached RMB914.39 billion, including RMB543.93 billion internet advertising, indicating significant growth opportunities for the Group in the digital marketing space. Given that the Group's experiential marketing business has generated a wealth of online data, this data can be leveraged to enable online and offline data interaction, enhancing and accumulating data on the behavior and preferences of premium brand consumers. Through this data, the Group can assist brands in making critical operational decisions, thereby strengthening their strategic value and reliance on the Group. Ultimately, the Group's profits and commissions can increase through the growth in online sales volume of the brands by enhancing its content planning capability. The increasing importance of digital and communication services has made it imperative for the Group to remain at the forefront of the industry and provide clients with the most innovative and effective solutions. The Group's investment in digital marketing and its efforts to expand its service offerings align with this objective and will position it for long-term growth and success in the rapidly evolving digital landscape.

(iii) IP Development

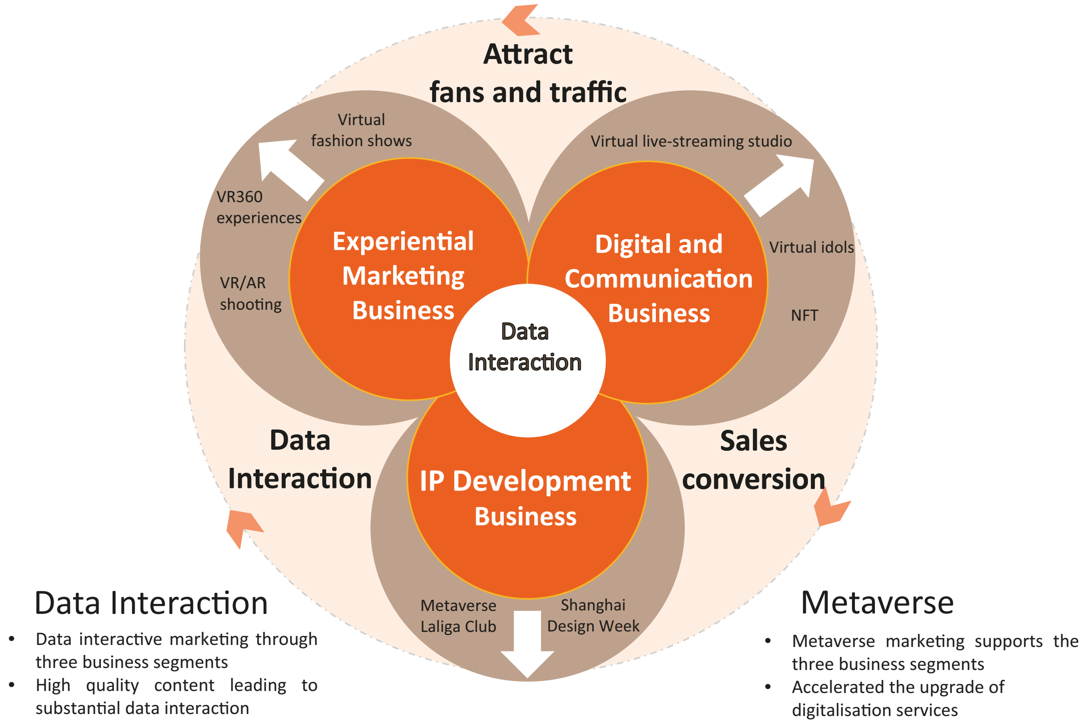
The Group is dedicated to enhancing the operation of world-class IP, with a particular emphasis on Shanghai Design Week, the Group's newest IP. The Shanghai Municipal Commission of Economy and Informatization predicts that Shanghai's creative and design industry will surpass RMB2.0 trillion by 2025. As the IP operator of Shanghai Design Week, the Group is confident that this IP will make significant contributions to our Company's growth. Besides, the Group is expecting to resume tournaments of Le Tour de France and LaLiga activities which were postponed in FY2022.

CHAIRMAN'S STATEMENT

Looking ahead to the future, the Group will continue to strengthen its market position and enhance its competitiveness and industry-leading position. At the same time, we will continue to improve the comprehensive quality and ability of employees, laying a solid talent foundation for the Company's long-term development.

Three business segments sustainable development strategies

Data interaction + Metaverse all round upgrading services create more digitalised value for brands



ACKNOWLEDGEMENT

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

Lau Kam Yiu
Joint-Chairman and Chief Executive Officer
Hong Kong
8 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Geographical Review

The Group's business was conducted in the Mainland China, Hong Kong and Singapore. Due to the pandemic situation in Hong Kong and Mainland China, the Group's revenue in Mainland China and Hong Kong and Singapore for FY2022 has decreased by approximately 21.4% and 51.5%, respectively, as compared with FY2021.

	For the year ended 31 December			
	2022		2021	
	RMB'000	**%**	RMB'000	%
Mainland China	**669,619**	**96.4**	852,162	94.3
Hong Kong & Singapore	**25,188**	**3.6**	51,895	5.7
Total	**694,807**	**100.0**	904,057	100.0

Business Segment Review

During FY2022, the revenue of the Group's experiential marketing services segment, digital and communication services segment and the IP development segment were RMB513.9 million (FY2021: RMB686.0 million), RMB154.4 million (FY2021: RMB201.7 million) and RMB26.5 million (FY2021: RMB16.3 million) respectively.

The following table sets out the revenue of the Group by service line for FY2021 and FY2022.

	2022	2021
	RMB'000	RMB'000
Experiential marketing services	**513,877**	686,022
Digital and communication services	**154,399**	201,690
IP development	**26,531**	16,345
Total	**694,807**	904,057

MANAGEMENT DISCUSSION AND ANALYSIS

1. Experiential Marketing Business

According to the research report by China Insights Industry Consultancy Limited, the Group continues to be the largest experiential marketing service provider for premium and luxury brands in Greater China in 2022, with market share rising from 9.2% in 2021 to 10.0% in 2022. The Group's experiential marketing business scope covers creative design, event planning, event management and execution, and rendering content services to the target consumers of the brands. Since 2020, the Group has actively promoted data interactive marketing business. Fashion shows or exhibitions are now not only physical events with several hundred guests on the scene but also events which create contents that can be brought online for secondary marketing, making a massive amount of online exposure through data interactive services. In FY2022, several offline marketing events conducted by the Group were livestreamed, which drew millions or hundreds of millions of views online. It is expected that this model will continue in for 2023.

Despite the impact of the pandemic prevention and control in the PRC and Hong Kong in the first half of 2022, the Group quickly resumed its activities in the second half of 2022 and completed approximately 130 successful events in the PRC. As a result, more than 170 offline events were completed throughout FY2022, including CHANEL 2022 Christmas Facade project, DIOR "Dior Haute Joaillerie" Event, GUCCI Beauty Pop-up, LOUIS VUITTON "Louis Vuitton Men's Spring-Summer 2023 Spin-off" Show, PRADA "Prada FW22 Menswear and Womenswear Fashion Show", ROLLS-ROYCE "2022 RRMC Phantom Series II Launch & Experience" Campaign, Museum Of Ice Cream, TAIKOO "Taikoo Li Qiantan Lux Open 2022", VAN CLEEF & ARPELS "Time, Nature, Love" Exhibition and more.

In addition, the Group's strategic partner — Lanvin Group, which is one of the largest independent luxury brands group in China, has been publicly listed on the New York Stock Exchange in 2022. As the preferred marketing partner for all of Lanvin Group's brand portfolios and a strategic shareholder, the Group is well-positioned to leverage this exciting development to further enhance the Group's business operations and growth potential.

During FY2022, the revenue for experiential marketing business segment was RMB513.9 million, representing a decrease of 25.1% from the segment revenue of RMB686.0 million in FY2021. The experiential marketing business segment revenue accounted for 74.0% of the Group's total revenue in FY2022.

2. Digital and Communication Business

The Group's digital and communication business has been growing due to massive demand from brand owners over the past several years. Since the pandemic outbreak in 2020, many luxury and premium brands have become aware that digitalisation would become a global trend. Accordingly, the budget for online marketing has substantially increased, creating an excellent opportunity for the digital marketing services industry. The "stay-at-home economy" consumption model has stimulated the demand for digital marketing for brands in the China market. Meanwhile, as more brands have launched their online stores, e-commerce sales have become an increasingly significant portion of their total sales.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has been providing data interactive services to its clients, generating millions to billions of viewerships through online platforms from experimental marketing services. Such online exposure can also enhance the sales revenue of the Group's clients. The Group also tapped into livestreaming e-commerce business since second half of 2021 by forming a joint venture with Vision Entertainment with a majority shareholding, focusing on live-streaming e-commerce business on Douyin, with a total of 6 celebrities by the end of FY2022.

In order to enhance the development of the digital and communication services business, on 10 January 2022, the Group has made a strategic investment in Weikuai Technology Group (also known as VeeR Group), a leading enterprise in virtual reality content production in China, and has formed a joint venture with its subsidiary, Beijing Weikuai Technology Co., Ltd. (北京為快科技有限公司) (also known as VeeR), to create a new field of pan-fashion metaverse marketing, of which the Group holds 51% equity interest in the joint venture.

In July 2022, the Group has announced an in-depth co-creation cooperation agreement with Beijing Baidu Netcome Science and Technology Co., Ltd. ("**Baidu Netcome**"), a subsidiary under Baidu,Inc. to design and develop an interactive online platform, namely, D UNIVERSE, which has officially entered into Baidu Xirang Metaverse Platform (百度希壤元宇宙平台) with the aim of driving premium and luxury brands to experience and discover Web3.0 in the PRC. The Group has successfully launched the first virtual avatar and real time fashion show (虛實互動同頻時裝秀) on Baidu Xirang Metaverse Platform.

During FY2022, the Group is the retainer agency of numerous brands, including BOBBI BROWN, DIESEL, HAMILTON, KENZO, L'OCCITANE, LOEWE Perfumes, MAKE UP FOR EVER, MAX MARA, NEW BALANCE, REMY MARTIN, SEPHORA, TORY BURCH, VENCHI and more. The Group has also launched a number of digital marketing campaigns, for instance, REMY MARTIN "Rémy Martin XO Online Social Campaign", NEIWAI "Neiwai 22SS Online Fashion Show" and LAND ROVER "Above & Beyond", NEW BALANCE "Performance Marketing Online Launch" and more.

For FY2022, the revenue of the digital and communication business was RMB154.4 million, representing a decrease of 23.5% as compared to RMB201.7 million in FY2021, and accounted for 22.2% of the Group's total revenue for the year.

3. IP Development Business

On 7 June 2022, the Group entered into a contract with Shanghai Design Week Investment Management Company Limited in regards to the exclusive operation right of Shanghai Design Week, which the Group will be responsible for the promotion and operation of the new "Shanghai Design Week" IP. Despite the impact of the pandemic, the Group has successfully launched the first event – WDCC (2022世界設計之都大會) and a series of Shanghai Design Week projects in the second half of 2022. During the conference, there was one opening ceremony, two Summit forums (including the Design Summit for 100 People and the Design Capital Summit), two exhibitions (including the leading exhibition and the Paris exhibition), more than 50 summit forums and design activities and the wisdom sharing of nearly 300 domestic and international design and industry leaders. There were more than 720 million views on relevant topics on the conference website.

MANAGEMENT DISCUSSION AND ANALYSIS

Since 2016, the Group has started its IP development business for sports market where the Group entered into cooperation agreements with each of LaLiga and Amaury Sport Organisation for granting the Group to organize events with LaLiga Club brand and Le Tour de France brand for marketing, sponsorship and merchandising in the PRC. Due to the effect of the pandemic, offline activities and events for LaLiga Club and Le Tour de France brands were temporarily suspended or postponed in FY2022.

During FY2022, the revenue for the IP development business was RMB26.5 million, representing an increase of 62.6% as compared to RMB16.3 million in FY2021, while the IP development business accounted for 3.8% of the Group's total revenue in FY2022.

FINANCIAL REVIEW

Cost of sales

The cost of sales of the Group decreased from RMB636.8 million for FY2021 to RMB492.6 million for FY2022. Overall speaking, the decrease in cost of sales was mainly caused by the decrease in cancellation and postponement of large-scale marketing activities in the first half of 2022. The fluctuations in cost of sales components were mainly dependent on the types and mix of projects carried out by the Group in the respective periods. The cost of sales components mainly includes production cost, third party service cost, media cost and venue rental cost.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit decreased by 24.4% from RMB267.3 million in FY2021 to RMB202.2 million for FY2022. Such decrease was mainly caused by the decrease in revenue. Its overall gross profit margin decreased from 29.6% for FY2021 to 29.1% for FY2022. Such decrease in gross profit margin was due to the difference in revenue mix from different service segments.

Other income and gains

The Group's other income and gains increased from RMB12.7 million for FY2021 to RMB16.3 million for FY2022. The increase in other income and gains was mainly due to the increase in government grants and subsidies.

Selling and distribution expenses

The Group's selling and distribution expenses increased from RMB85.9 million for FY2021 to RMB86.4 million for FY2022. Such increase in selling and distribution expenses was mainly due to the increase in staff cost.

General and administrative expenses

The Group's general and administrative expenses increased from RMB42.6 million for FY2021 to RMB65.7 million for FY2022, which was mainly attributable to the share award payments of RMB18.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Other expenses, net

The Group's other expenses recorded a net increase from RMB2.4 million for FY2021 to RMB10.5 million for FY2022. The increase in other expenses was mainly due to an impairment of trade receivables.

Finance costs

The Group's finance costs decreased from RMB0.6 million for FY2021 to RMB0.5 million for FY2022, as the Group did not have any bank borrowing in FY2022.

Net profit and net profit margin

The Group recorded a net profit of RMB28.2 million for FY2022 (FY2021: RMB102.6 million), representing a decrease of 72.5% as compared to FY2021. Overall net profit margin decreased from 11.3% for FY2021 to 4.1% for FY2022. Such decrease in net profit margin was mainly due to the suspension in operations in the PRC during the first half of 2022 and share award expenses incurred by the Group in 2022.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and cash equivalents

As at 31 December 2022, the Group's cash and cash equivalents amounted to approximately RMB300.3 million (31 December 2021: RMB405.8 million).

Net proceeds from the Global Offering

The Shares were listed on the Main Board of the Stock Exchange on 16 January 2020. The net proceeds from the global offering of the Shares ("**Global Offering**") including the over-allotment of Shares were approximately HK$345.0 million (the "**Net Proceeds**").

On 19 April 2021, the Board has resolved to change the use of net proceeds such that unutilised Net Proceeds of the Global Offering (the "**Unutilised Net Proceeds**") in the amount of HK$224.5 million, originally allocated for the capital commitment for the establishment of the partnership, are to be reallocated for the capital commitment required for strategic investment in the pan-cultural sector due to the lapse of the limited partnership agreement. Please refer to the announcement of the Company dated 19 April 2021 for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets out the breakdown on the revised utilisation of the Net Proceeds.

Designated use of the Net Proceeds	**Original allocation of Net Proceeds** HK$ million	**Revised allocation of Net Proceeds (Note)** HK$ million	**Unutilised Net Proceeds as at 31 December 2021** HK$ million	**Net Proceeds utilised during FY2022** HK$ million	**Unutilised Net Proceeds as at 31 December 2022** HK$ million
Develop and expand the existing business of integrated marketing solutions and IP development	192.8	81.1	1.0	1.0	—
Cash reserve for strategic investment funds for suitable cooperation or investment opportunities	118.0	5.2	5.2	—	5.2
General working capital and general corporate purpose	34.2	34.2	—	—	—
Cash reserve for strategic investment in the pan-cultural sector	—	224.5	205.0	43.5	161.5
Total	**345.0**	**345.0**	**211.2**	**44.5**	**166.7**

Note: For details of the changes in the use of the Net Proceeds, please refer to the announcements of the Company dated 20 August 2020 and 19 April 2021.

The Group had utilised HK$44.5 million of the Net Proceeds during FY2022. The Group is expected to utilise all unutilised Net Proceeds within the year ending 31 December 2023.

Borrowing and charges on the Group's assets

As at 31 December 2022, the Group did not have any interest-bearing borrowing (as at 31 December 2021: nil).

Gearing ratio

The gearing ratio as at 31 December 2022, calculated on the basis of bank and other borrowings over total equity, was nil (as at 31 December 2021: nil).

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and remuneration policies

As at 31 December 2022, the total number of employees of the Group was approximately 261 (as at 31 December 2021: 285). For FY2022, the employee benefit expenses of the Group (including directors' emoluments) were approximately RMB110.7 million (FY2021: RMB91.4 million).

The Group offers a comprehensive remuneration package to its employees which is reviewed by the 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.

Trade receivables and trade payables

The trade receivables of the Group increased from RMB231.7 million as at 31 December 2021 to RMB308.9 million as at 31 December 2022; and the trade payables of the Group increased from RMB221.8 million as at 31 December 2021 to RMB289.6 million as at 31 December 2022.

Contingent liabilities

The Group has no material contingent liabilities as at 31 December 2022.

Acquisition and disposal of subsidiary and associated companies

The Group had no material acquisitions and disposals of subsidiaries and associated companies during FY2022.

Capital commitment

As at 31 December 2022, the Group has a capital commitment of RMB5.1 million (as at 31 December 2021: RMB25.1 million) relating to the future capital contributions.

Significant investments

The Group has no significant investments, including investment in companies with a value of 5% or more of the Company's total assets as at 31 December 2022.

Foreign exchange risk

Most of the Group's income and expenditures are denominated in Renminbi, being the functional currency of the major operating entities, 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 exploring the domestic capital market for financing opportunities and consider other hedging arrangements if such need arises.

FIVE-YEAR FINANCIAL SUMMARY

The following table summarises the results, and assets and liabilities of the Group for the years ended 31 December 2018, 2019, 2020, 2021 and 2022:

The summary of the results, and assets and liabilities of the Group for the years ended 31 December 2018 and 2019 was extracted from the prospectus of the Company dated 31 December 2020.

	Year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Revenue	694,807	904,057	457,999	661,774	684,335
Profit before tax	55,698	144,628	38,551	66,866	65,260
Income tax expense	(27,454)	(42,074)	(13,321)	(25,995)	(21,743)
Profit attributable to owners of the parent	28,244	92,488	23,423	29,969	37,114

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Total assets	757,971	716,244	588,602	359,679	405,114
Total liabilities	(357,656)	(286,827)	(215,765)	(287,650)	(262,512)
Net assets	400,315	429,417	372,837	72,029	142,602
Equity attributable to owners of the parent	383,034	406,315	359,929	59,892	121,126

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 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

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Kam Yiu (劉錦耀), aged 47, 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 24 years of experience in the marketing industry.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng Bo Sing (伍寶星), aged 42, 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 13 years of experience in management.

Mr. Chan Wai Bun (陳偉彬), aged 51, 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 and a vice president of the Group. 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 26 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 59, 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 and a vice president of the Group. She has more than 21 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 56, 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 26 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 37, 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 10 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 62, 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 2 companies listed on the Main Board of the Stock Exchange, namely Casablanca Group Limited (stock code: 2223.hk) since 2018; and PanAsialum Holdings Company Limited (stock code: 2078.hk) since 2018. Dr. Cheung has been an independent non-executive director of Sky Light Holdings Limited (stock code: 3882.hk) from June 2015 to February 2023.

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 47, 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 23 years of experience in sales and marketing industry and joined the Group in 2014.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Bao Yifeng（包一峰）, aged 50, 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 18 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 48, 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 22 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 47, 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 24 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 48, 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 22 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 52, 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 23 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.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for FY2022.

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 company secretary 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 C.2.1 of the Part 2 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 the extensive experience of Mr. Lau 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 FY2022, the Company has three independent non-executive Directors in compliance with 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 more than one third of the number of the Board members.

According to Rule 3.13 of Listing Rules, the independent non-executive Directors have provided confirmations to the Company regarding their independence during FY2022. Based on the confirmations of the independent non-executive Directors, the Company considers each of them to be independent during FY2022.

Appointment and Re-election of Directors

Code provision B.2.2 of the Part 2 of the CG Code stipulates that all directors, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years whereas code provision B.2.3 of the CG Code states that if an independent non-executive director has served more than nine years, such director's further appointment should be subject to a separate resolution to be approved by shareholders.

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 has entered into a service contract with the Company for a specific term of three years and shall be subject to re-election as and when required under the Articles of Association, until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a specific term of three years and shall be subject to re-election as and when required under the Articles of Association, until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing.

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, Mr. Chan Wai Bun, Ms. Low Wei Mun and Ms. Cheung Siu Wan will retire by rotation at the forthcoming annual general meeting of the Company (the "**2023 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 FY2022.

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 company secretary 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 FY2022, 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 and update on the Listing Rules.

Herebelow is a summary of training received by the Directors for FY2022:

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 minimise 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 FY2022.

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 FY2022, the Company held four Board meetings in total and one general meeting. The Company has fully complied with the requirements under the code provision C.5.1 of the Part 2 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	2022 Annual General Meeting attended/ No. of eligible to attend	Board Meeting attended/ No. of eligible to attend
Mr. Lau Kam Yiu	1/1	4/4
Mr. Ng Bo Sing	1/1	4/4
Mr. Chan Wai Bun	1/1	4/4
Ms. Low Wei Mun	1/1	4/4
Ms. Cheung Siu Wan	1/1	4/4
Mr. Yu Longjun	1/1	4/4
Dr. Cheung Wah Keung	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 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, halfyear 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;
- to develop and implement policy on engaging an external auditor to supply non-audit services and to report to the Board, identifying and making recommendations on any matters where action or improvement is needed; 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 authorised by the Board.

During FY2022, the Audit Committee held two meetings, at which the Group's annual results for FY2021, interim results for the six months ended 30 June 2022 and the relevant accounting principles and practices adopted by the Group were reviewed and discussed with the external auditors.

Code provision D.3.3(e)(i) of the Part 2 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 D.3.3(e)(i) of the Part 2 of the CG Code during FY2022.

CORPORATE GOVERNANCE REPORT

The attendance of the meetings by each member during FY2022 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;

- to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules; 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 authorised by the Board.

During FY2022, the Remuneration Committee held two meetings, at which the performance and remuneration of the executive Directors and senior management of the Company were reviewed; and the grant of existing award shares to four executive Directors from the trust of the share award plan was approved.

The attendance of the meetings by each member during FY2022 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 provision E.1.5 of the Part 2 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 FY2022:

Group	**Remuneration *(HK$)***	**No. of individuals**
1	0 — HK$1,000,000	8
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 5 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 authorised by the Board.

During FY2022, 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 the 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 FY2022 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

Diversity

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 has achieved 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.

In addition, we will also ensure that there is gender diversity when recruiting staff at mid to senior level and we are committed to provide career development opportunities for female staff so that we will have a pipeline of female senior management and potential successors to our Board in near future.

As at 31 December 2022, male and female employees accounted for approximately 39.1% and 60.9%, respectively, of all employees (including senior management) of the Group. The Company has reviewed the gender ratio of its workforce, taking in account the culture of the industry, diversity level of other market peers and business needs of the Company. As the employees in the luxury experiential marketing industry is predominantly female, the Company considers that it has achieved gender diversity in its workforce and has not set any measurable objectives in further improving gender diversity.

CORPORATE GOVERNANCE REPORT

The Company plans to offer all-rounded trainings to female employees whom we consider to have the suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development.

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;
- 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.

During FY2022, the Corporate Governance Committee held one meeting, at which matters in relation to the implementation checklist of the "Corporate Governance Code" was reviewed and discussed, and the 2021 Corporate Governance Report was reviewed.

The attendance of the meeting by each member during FY2022 is as follows:

Name of Directors	Attended/ No. of meetings
Mr. Ng Bo Sing	1/1
Ms. Cheung Siu Wan	1/1
Dr. Cheung Wah Keung	1/1

Environmental, Social and Governance Committee

The Environmental, Social and Governance Committee consists of one executive Director, Mr. Ng Bo Sing; and two independent non-executive Directors, namely Mr. Yu Longjun and Dr. Cheung Wah Keung. Mr. Ng Bo Sing serves as the chairman of the Environmental, Social and Governance Committee.

CORPORATE GOVERNANCE REPORT

The primary duties of the Environmental, Social and Governance Committee are:

- to develop and review the Company's Environmental, Social and Governance responsibilities, vision, objectives, strategies, framework, principles and policies, and strengthen the materiality assessment and reporting process to ensure and fulfill the continuous execution and implementation of any Environmental, Social and Governance policies approved by the Board; to review and monitor the Company's Environmental, Social and Governance policies and practices to ensure compliance with legal and regulatory requirements; and to review and monitor the Company's Environmental, Social and Governance risk management and internal control systems to ensure the effectiveness and adequacy of internal controls;

- to monitor the communication channels and methods between the Company and its stakeholders, and to ensure that relevant policies are in place to effectively promote the relationship between the Company and its stakeholders and protect the reputation of the Company;

- to review major Environmental, Social and Governance trends and related risks and opportunities, evaluate the adequacy and effectiveness of the Company's Environmental, Social and Governance -related structures and business models, and adopt and update the Company's Environmental, Social and Governance policies as necessary to ensure that they are up-to-date and in compliance with applicable laws, regulations and regulatory requirements and international standards;

- to review the Company's annual Environmental, Social and Governance report and make recommendations to the Board for approval, recommend specific actions or decisions for the Board's consideration in order to maintain the integrity of the Environmental, Social and Governance report and ensure that the Company's annual Environmental, Social and Governance report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (including amendments from time to time); and

- to supervise and review the work of the Company's Environmental, Social and Governance working group, assess and review the Company's Environmental, Social and Governance performance against targets, and report to the Board.

During FY2022, the Environmental, Social and Governance Committee held one meeting, at which matters in relation to 2021 Environmental, Social and Governance report was reviewed, newly amended requirements for the 2022 Environmental, Social and Governance report was reported, the working plan of 2022 Environmental, Social and Governance and supplier's quotation and service scope were discussed.

The attendance of the meeting by each member during FY2022 is as follows:

Name of Directors	**Attended/ No. of meetings**
Mr. Ng Bo Sing	1/1
Mr. Yu Longjun	1/1
Dr. Cheung Wah Keung	1/1

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Ms. So Shuk Yi Betty, of SWCS Corporate Services Group (Hong Kong) Limited, has been engaged by the Company as a 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 FY2022, the company secretary of the Company, Ms. So Shuk Yi Betty, actively participated in studies and updated her professional knowledge related to the Listing Rules and corporate governance to continuously improve her professional skills as company secretary. She has 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 2022 amounted to HK$2.1 million. The following table sets out the service provided by Ernst & Young and the fees payable to them:

Service rendered	**Fees payable *(HK$ million)***
Audit service	1.9
Non-audit services	0.2
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 103 to 107.

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.

CORPORATE GOVERNANCE REPORT

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 2022. 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 its annual review of the effectiveness of the risk management and internal control system of the Group and is satisfied that, for FY2022, the risk management and internal control system and procedures of our Group were reasonably effective and adequate, and that no material deficiencies had been identified.

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.

In addition, the Company has established policies and systems that promote and support anti-corruption laws and regulations. We require our employees to follow our employee manual and code of business conduct and ethics, which contains internal rules and guidelines regarding best commercial practice, work ethics, fraud prevention mechanisms, negligence and corruption. We also carry out regular on the-job compliance training to our senior management and employees to maintain a healthy corporate culture and enhance their compliance perception and responsibility. Our staff can anonymously report any suspected corrupt incident to the Company.

The Company has also established a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, about possible improprieties in any matter related to the Company.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

The dividend policy of the Company adopted by the Board on 26 March 2021 is set out as follows:

Payment of dividends by the Company is also subject to the Companies Act 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.

CHANGE IN CONSITUTIONAL DOCUMENTS

Reference is made to the announcement of the Company dated 11 April 2022. The Board proposes to amend the Articles of Association for the purposes of, among others, (i) allowing general meetings to be held as an electronic meeting (also referred to as virtual general meeting) or a hybrid meeting; (ii) to bring the Articles of Association in line with amendments made to Listing Rules and applicable laws and procedures of the Cayman Islands; and (iii) making certain minor housekeeping amendments to the Articles of Association for the purpose of clarifying existing practice and making consequential amendments in line with the amendments to the Articles of Association, the Company has adopted an amended and restated Articles of Association by a special resolution passed on 2 June 2022. The full text of the amended and restated Articles of Association is available on the websites of the Company and the Stock Exchange.

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.

CORPORATE GOVERNANCE REPORT

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 the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions in the Articles of Association or in the Companies Act 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.

Based on the above, the Board has reviewed the Shareholders' Communication Policy for the year ended 31 December 2022 and is of the view that the Policy is effective and adequately implemented.

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.

CORPORATE GOVERNANCE REPORT

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.

REPORT OF THE DIRECTORS

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for FY2022.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on 27 February 2019 as an exempted company with limited liability under the Companies Act 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 FY2022 are set out on pages 108 to 190 of this annual report.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK1.32 cents per ordinary Share and a final special dividend of HK9.38 cents per Share for FY2022 which amounted to HK$79,687,000 subject to the approval of the Shareholders at the 2023 AGM. This proposed pay-out, together with the special dividend of HK12.00 cents per Share paid on 18 November 2022, would give a total dividend of HK22.70 cents per ordinary Share for FY2022 (FY2021: HK9.96 cents per ordinary share). Subject to the Shareholders' approval at the 2023 AGM to be held on Tuesday, 16 May 2023, it is expected that the final dividend would be paid to the Shareholders on or before Friday, 30 June 2023.

RESERVES

Details of the movement in the reserves of the Group and of the Company during FY2022 are set out on page 112-113 of this annual report.

DISTRIBUTABLE RESERVES

At 31 December 2022, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act, amounted to RMB335,650,000 (At 31 December 2021: RMB405,648,000), of which HK$79,687,000 has been proposed as a final dividend for the year.

BUSINESS REVIEW

A review and discussion of the Group's business during FY2022 is set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report.

REPORT OF THE DIRECTORS

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 FY2022 are set out in note 26 to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During FY2022, the Company exercised its powers under the general mandate granted by the Shareholders to the Board at the annual general meeting of the Company held on 2 June 2022 to repurchase Shares not exceeding 10% of the total number of Shares in issue as at the date of the meeting, which shall expire at the conclusion of the next annual general meeting of the Company, and repurchased a total of 8,976,000 Shares on the Stock Exchange at an aggregate consideration of HK$11,301,480. As at the date of this report, all the Shares repurchased in 2022 have been cancelled.

Particulars of the repurchases made by the Company during FY2022 are as follows:

Trading Month	Number of Shares Repurchased	Highest Price Paid *(HK$)*	Lowest Price Paid *(HK$)*	Total Consideration Paid *(HK$)*
March	6,342,000	1.41	1.20	8,401,360
April	20,000	1.25	1.20	24,680
May	1,342,000	1.23	1.08	1,551,880
June	206,000	1.17	1.06	231,080
July	514,000	1.16	0.99	533,920
August	258,000	1.01	0.96	252,240
September	20,000	0.99	0.96	19,340
October	12,000	1.36	1.26	15,560
December	262,000	1.09	1.00	271,420
Total	**8,976,000**			**11,301,480**

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 FY2022.

REPORT OF THE DIRECTORS

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 11 May 2023 to Tuesday, 16 May 2023, both days inclusive and during which no share transfer will be effected, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2023 AGM. In order to be eligible to attend and vote at the 2023 AGM, 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 Tuesday, 9 May 2023.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environmental protection and there was no material 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 environmentally friendly at work by consuming 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 are disclosed in the section headed "Environmental, Social and Governance Report" in this annual report.

PRE-EMPTIVE RIGHTS

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

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

REPORT OF THE DIRECTORS

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 2022 or at any time during FY2022.

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 a specific term of three years, which may be terminated by not less than three months' written notice in writing served by either of the Director or the Company at any time.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a specific term of three years, the tenure may be terminated by not less than three months' written notice in writing served by either of the Director or the Company at any time. Under their 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 of Association. None of the Directors has entered into 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.

CONTRACTS OF SIGNIFICANCE AND RELATED PARTY TRANSACTIONS

Saved as disclosed in the section headed "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 FY2022 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 FY2022 or at the end of the year.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the section headed "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 FY2022.

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.

REPORT OF THE DIRECTORS

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

For FY2022, 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 FY2022.

Save as disclosed above, no other payments have been made or are payable, for FY2022, 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 FY2022.

The independent non-executive Directors have reviewed the Non-Compete Undertaking and confirmed that no Covenantor had beached the Non-Compete Undertaking during FY2022.

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 FY2022.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as set out below, the Company has not entered into any equity-linked agreement in FY2022.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during FY2022.

LOAN AND GUARANTEE

During FY2022, 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 2022, 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 2022**
Mr. Ng	Interest of a controlled corporation *(Note 2)*	117,669,156 Shares (L)	15.80%
	Beneficial owner	10,404,580 Shares (L)	1.40%
Mr. Lau	Interest of a controlled corporation *(Note 3)*	154,413,522 Shares (L)	20.73%
	Beneficial owner	16,242,444 Shares (L)	2.18%
Ms. Low	Interest of a controlled corporation *(Note 4)*	41,854,717 Shares (L)	5.62%
	Beneficial owner	17,339,926 Shares (L)	2.33%
Mr. Chan	Beneficial owner	24,403,263 Shares (L)	3.28%
	Interest of a controlled corporation *(Note 5)*	64,393,303	8.65%

Notes:

1. The letter "L" denotes our Directors' long position in the shares of the 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 41,854,717 Shares are held by Activation One, which is ultimately controlled by Ms. Low through Step Mind Enterprises Limited under the SFO, Ms. Low is deemed to be interested in the Shares held by Activation One.

5. These 64,393,303 Shares are held by Brightly Sky, which is wholly-owned by ACT Partners. ACT Partner is in turn owned as to approximately 50% by Mr. Chan, approximately 23.28% by Ms. Low and approximately 26.72% by senior management and other key personnel of the Group. By virtue of SFO, Mr. Chan is deemed to be interested in the Shares held by Brightly Sky.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

To the best knowledge and belief of the Directors, as at 31 December 2022, 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 2022**
Activation Investment	Beneficial owner *(Note 2)*	117,669,156 Shares (L)	15.80%
NBS Holdings	Interest of a controlled corporation *(Note 2)*	117,669,156 Shares (L)	15.80%
Chung Wing Ting（鍾穎婷）	Interest of spouse *(Note 3)*	128,073,736 Shares (L)	17.20%
Aurora Activation	Beneficial owner *(Note 4)*	154,413,522 Shares (L)	20.73%
Dashing Fortune	Interest of a controlled corporation *(Note 4)*	154,413,522 Shares (L)	20.73%
Li Meixuan（李美璇）	Interest of spouse *(Note 5)*	170,655,966 Shares (L)	22.91%
Brightly Sky	Beneficial owner *(Note 6)*	64,393,303 Shares (L)	8.65%
ACT Partners	Interest of a controlled corporation *(Note 6)*	64,393,303 Shares (L)	8.65%
Aide Zhongxin	Beneficial owner	61,014,906 Shares (L)	8.19%

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 2022
Activation One	Beneficial owner *(Note 7)*	41,854,717 Shares (L)	5.62%
Step Mind Enterprises Limited	Interest of a controlled corporation *(Note 7)*	41,854,717 Shares (L)	5.62%
RAYS Capital Partners	Investment manager *(Note 8)*	70,912,298 Shares (L)	9.52%
Asian Equity Special Opportunities Portfolio Master Fund	Beneficial owner *(Note 8)*	52,418,298 Shares (L)	7.04%
RUAN David Ching Chi	Interest of a controlled Corporation *(Note 8)*	70,912,298 Shares (L)	9.52%

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 64,393,303 Shares are held by Brightly Sky, which is wholly-owned by ACT Partners. ACT Partner is in turn owned as to approximately 50% by Mr. Chan, approximately 23.28% by Ms. Low and approximately 26.72% by senior management and other key personnel of the Group.

   Under the SFO, ACT Partners and Mr. Chan are deemed to be interested in the Shares held by Brightly Sky.

7. These 41,854,717 Shares are held by Activation One, which is wholly owned by Step Mind Enterprises Limited. By virtue of the SFO, Step Mind Enterprises Limited is deemed to be interested in the Shares held by Activation One.

8. These 70,912,298 Shares comprise (1) 52,418,298 Shares held by Asian Equity Special Opportunities Portfolio Master Fund, which is wholly owned by RAYS Capital Partners; (2) 18,494,000 Shares held by other investors.

   RAYS Capital Partners is owned as to approximately 45.60% by RUAN David Ching Chi. Under the SFO, RUAN David Ching Chi is deemed to be interested in the Shares held by Asian Equity Special Opportunities Portfolio Master Fund and RAYS Capital Partners.

REPORT OF THE DIRECTORS

SHARE SCHEMES

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 and up to 31 December 2022, 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 74,474,200 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**").

Persons eligible for the share awards under the Share Award Plan (the "**Awards**") include existing employees, Directors (whether executive or non-executive or independent non-executive directors) or advisers, consultants of the Company or any member of our Group any person who, in the sole opinion of the Board, has contributed or will contribute to any member of our Group (the "**Selected Participants**"). The purpose of the Share Award Plan is to recognise and reward the contributions of the Selected Participants 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.

The Share Award Plan will be valid and effective for a period of ten (10) years, commencing from 30 March 2020 (unless it is terminated earlier in accordance with its terms). As at 31 December 2022, the remaining life of the Share Award Plan was approximately eight years. There is no specific limit on the maximum number of Shares which may be granted to a single Selected Participant under the Share Award Plan. The vesting period of the Awards granted under the Share Award Plan shall be determined by the Board from time to time at its discretion.

Our Company has appointed Teeroy Limited as the trustee (the "**Trustee**") to assist in the administration of the Share Award Plan. Our Company may (i) allot and issue Shares to the Trustee to be held by the Trustee and which will be used to satisfy the Shares underlying the share units upon exercise and/or (ii) direct and procure the Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the Shares underlying the Awards upon exercise.

During FY2022, the Company has granted a total of 18,400,000 Awards to the Selected Participants. Details of which are set out in the table below.

		Number of Awards						
Name/ category of grantees	**Date of grant**	**Outstanding as at 1 January 2022**	**Granted during FY2022**	**Vested during FY2022**	**Cancelled during FY2022**	**Lapse during FY2022**	**Outstanding as at 31 December 2022**	**Closing price immediately before date of grant** (HK$)
Directors								
Mr. Lau	31 Oct 2022	—	3,680,000	3,680,000	—	—	—	1.48
Mr. Chan	9 Jun 2022	—	3,680,000	3,680,000	—	—	—	1.09
	31 Oct 2022	—	3,680,000	3,680,000	—	—	—	1.48
Ms. Low	9 Jun 2022	—	3,680,000	3,680,000	—	—	—	1.09
	31 Oct 2022	—	3,680,000	3,680,000	—	—	—	1.48
Total		—	18,400,000	18,400,000	—	—	—	

As at 1 January 2022 and 31 December 2022, no scheme mandate has been granted for the issue and allotment of new Shares in respect of Awards granted under the Share Award Plan. Details of the fair value of the Awards granted under the Share Award Plan and the related accounting standards and policies are set out in Note 27 to the financial statements.

REPORT OF THE DIRECTORS

The grantees of the share units under the Share Award Plan as referred to in the table above are not required to pay for grant or exercise of any share units.

Proposed Adoption of a new share option scheme and amendments to the Share Award Plan

In view of the amendments to Chapter 17 of the Listing Rules which had come into effect on 1 January 2023, the Board proposed to (i) terminate the existing Share Option Scheme and adopt a new share option scheme; and (ii) amend the terms of the Share Award Plan. The adoption of the new share option scheme and amendments to the Share Award Plan shall be subject to approval by Shareholders at the 2023 AGM. For further details, please refer to the Company's announcement dated 8 March 2023.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

During FY2022, 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 FY2022, the aggregate sales attributable to the Group's five largest clients accounted for approximately 55.9% (2021: approximately 55.0%) of the Group's total sales and the sales to the Group's largest customer included therein accounted to approximately 28.5% (2021: approximately 26.1%). During the year, the largest supplier accounted for approximately 6% (2021: approximately 6.3%) of the Group's purchases and the five largest suppliers of the Group accounted for approximately 20% (2021: approximately 22.4%) 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 by reason of their holding of the Company's securities.

HUMAN RESOURCES

As at 31 December 2022, the Group had 261 employees (2021: 285), 24 of which are headquarter staff, 106 employees were responsible for experiential marketing, 102 employees were responsible for digital and communication marketing, 15 employees were responsible for IP development, and 14 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.

REPORT OF THE DIRECTORS

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 FY2022 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/or any disclosure requirements under Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and to the best of 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 FY2022.

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 FY2022.

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 applied the principles of and complied with the code provisions set out in the CG Code. Further details on the corporate governance practices of the Company and the Company's compliance with the CG Code are disclosed in the section headed "Corporate Governance Report" in this annual report.

REPORT OF THE DIRECTORS

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during FY2022 except the Code Provision C.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 CG Code. As at the Latest Practicable Date, Mr. Lau, the executive Director, has served as the joint-chairman 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 FY2022. The consolidated financial statements for FY2022 have been audited by Ernst & Young, Certified Public Accountants. Ernst & Young shall retire in accordance with the Articles of Association and a resolution for their reappointment as auditors of the Company will be proposed at the 2023 AGM.

COMPLIANCE WITH LAWS AND REGULATIONS

During FY2022, 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,
8 March 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

Activation Group Holdings Limited (the "**Company**" together with its subsidiaries collectively, the "**Group**", "**Activation**" or "**we**") is pleased to publish its fourth environmental, social and governance report (the "**Report**"). The Report outlines our environmental, social and governance ("**ESG**") tasks, strategies and targets, and elaborates our sustainable development philosophies.

Reporting Standard

The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**Guide**") set out in the Appendix 27 to the Listing Rules issued by the Stock Exchange. The contents covered herein are in compliance with the "comply or explain" provision required in the Guide and the requirements of the four reporting principles (i.e. materiality, quantitative, balance and consistency). An index of the Guide prepared in accordance with the contents of the Report is inserted in the last chapter of the Report for readers' quick reference. Readers may also refer to the section headed "Corporate Governance Report" in this annual report to have a comprehensive understanding of our ESG performance.

Materiality	In accordance with the Stock Exchange's principle of importance, the process of material ESG factors in the Report, the criteria for selecting these factors, the identification process of the material topics and matrix of material topics, as well as the description of the key stakeholders and the process and results of stakeholder engagement have been identified and disclosed in the Report.
Quantitative	Statistical standards, methodologies, assumptions and/or calculation tools used in the Report for reporting emissions/energy consumption (if applicable), as well as the sources of conversion factors, are described in the explanatory notes to the Report.
Balance	The Report presents the Group's performance during the Reporting Period in an unbiased manner, to avoid any inappropriate decisions or judgement made by readers, omissions, or presentations.
Consistency	The statistical methodology used for the information disclosed in the Report are consistent. Any changes will be clearly stated in the Report.

Reporting Scope

The Report describes the Group's sustainable development policies, measures and key performance indicators ("**KPIs**") relating to its core business from 1 January 2022 to 31 December 2022 (the "**Year**" or the "**Reporting Period**"). Unless otherwise specified, the Report covers the businesses directly controlled by the Group, and the KPIs in the environmental aspect include information on the headquarters office in Shanghai, and the offices in Beijing and Hong Kong.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Approval of the Report

The Report was approved by the board of directors on 8 March 2023 upon confirmation by the management.

Feedbacks on the Report

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

2. SUSTAINABILITY APPROACH

2.1 Board Statement

The Group regards ESG management as an important component of its daily corporate operations. We have always believed that by building a sustainable business, we can create long-term value for the Group's development. As such, we have established a sound ESG governance structure. As the leading body on ESG issues, the Board assumes full responsibility for ESG strategies and reporting. The Board is responsible for the supervision of ESG matters, and regularly discusses, reviews and approves the Group's ESG management policies, strategies and risk management plans, including the identification and prioritization of key ESG issues, target commitment and actual performance monitoring of ESG matters.

During the Year, the Board held regular ESG meetings to actively discuss ESG issues, including: supervising, reviewing and making recommendations to improve the Group's corporate social responsibility and sustainability practices; reviewing and discussing sustainability risks; and considering the impact of the Group's corporate social responsibility and sustainability on its stakeholders. The Board reviews the plans and implementation of ESG-related work with respect to its relevant targets and indicators during regular meetings to reflect the effectiveness of the Group's ESG policy in its daily operations. In addition, the Group has commenced its annual ESG planning during the Year, with dedicated programs on low-carbon operations, public welfare activities, employee welfare and anti-corruption. The Board will continue to seek opportunities to improve ESG performance in the future.

Subject of Meeting for Work Associated with Sustainability Governance

- To review and monitor the Group's ESG management policies, strategies and annual work plan and progress towards targets;
- To assess, identify and determine the impact of ESG risks on the Group;
- To formulate relevant ESG management policies and identify ESG issues that are relevant and material to the Group's operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.2 Sustainability Governance

To facilitate the Board's oversight of ESG, the Board has delegated the ESG Committee to implement and promote ESG strategies to each operating unit for implementation, ensuring that ESG principles and values are effectively integrated into the Group's decision-making process. The Group has established an ESG governance structure comprising the Board, the ESG Committee and various functional departments, with a top-down management approach that specifies the responsibilities and duties at each level:

The Board

- To delegate the authority to the ESG Committee
- To resolve and approve the Group's ESG management policies, strategies and annual tasks, including assessment, prioritization and management of material ESG issues
- To regularly review and monitor the ESG performance and progress towards targets

ESG Committee

- To identify, confirm and formulate relevant ESG management policies through the assessment of impact of ESG risks on the Group
- To identify ESG issues that are relevant and material to the Group's operation and affect shareholders and other stakeholders
- To ensure that the Group complies with relevant laws and regulations, monitor and respond to the latest ESG issues

Functional Departments

- To organize and execute various relevant ESG tasks in accordance with the Group's ESG management policies, strategies and annual tasks
- To collect and report on internal ESG policies, systems and ESG-related KPIs
- To comply with various relevant ESG policies and systems

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.3 Communication with Stakeholders

Activation values communication with its stakeholders, listens to various stakeholders' needs and expectations with an open mind, and actively understands their expectations and requirements of the Group's social responsibility. We attach great importance to the valuable opinions of our stakeholders. The Group believes that understanding stakeholders' opinions will help us analyze the aspects of corporate social responsibility and continuously improve and enhance our comprehensive corporate management capabilities and standards.

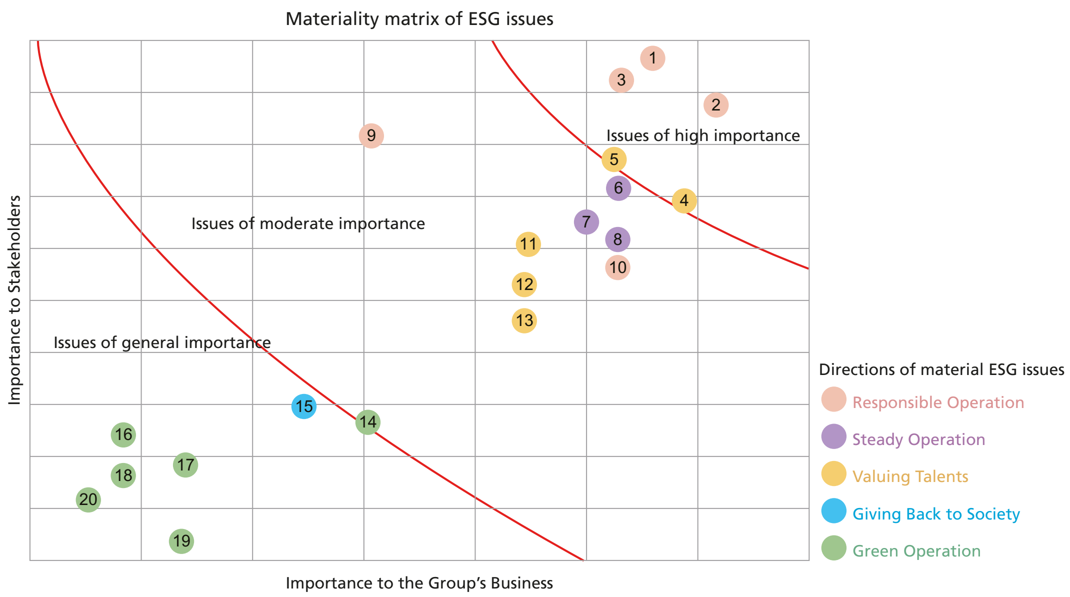
Stakeholders	Major Communication Channel
Customers	• Customer satisfaction surveys and opinion forms • Customer consultation groups • Visit by customer relationship manager • Daily operations/communication • Telephone call and email
Shareholders/ Investors	• Annual general meeting and other general meetings • Interim and annual report • Corporate communication (e.g. letters/circulars and notice of meetings to shareholders) • Results announcement • Tours for shareholders • Investors' meetings
Employees	• Channels for employees to express their opinions (forms, suggestion boxes, etc.) • Performance appraisal • Group discussions • Conference interview • Seminars/workshops/lectures • Publications (e.g. Staff Newsletters) • Communication conference • Staff intranet (e.g. OA system) • Public welfare activities

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Business partners	• Visits • Talks • Meetings with business partners
Community/NGOs	• Public welfare activities • Donation
Peers	• Strategic cooperation projects • Group announcement • Communication conferences
Suppliers	• Supplier management program • Supplier/contractor assessment system • Meetings with suppliers • Site visits

2.4 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 the mutual importance and influence of each ESG issue on stakeholders, the Group's materiality assessment results for 2021 are still applicable for the Year. In 2021, the Group conducted a materiality assessment through questionnaire to collect, identify and determine the concerns and mutual influence of internal and external stakeholders on different ESG issues. The Group analysed 20 identified issues through the two dimensions of "Importance to the Group's Business" and "Importance to Stakeholders", and the selected 5 issues of high importance, 9 issues of moderate importance and 6 issues of general importance from 2021 will be disclosed in detail respectively in the Report.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Importance of Issue	Topics	Issue
Issues of high importance	1	Product/service quality control
	2	Protection of Customers' Privacy
	3	Customer service management
	4	Employees' safety and health
	5	Employment rights and benefits
Issues of moderate importance	6	Anti-corruption
	7	Supply chain management
	8	Information security
	9	Intellectual property rights
	10	Sales management and product labelling
	11	Employee diversity, nondiscrimination, and equal opportunity
	12	Talent recruitment and retention
	13	Employee training and development
	14	Material consumption
Issues of general importance	15	Community involvement and investment
	16	Response to climate change
	17	Exhaust gas[1], waste, water treatment
	18	Greenhouse gases (GHG) management
	19	Energy management
	20	Water resource management

2.5 Risk Management

Activation promotes a stable risk control culture and has established a comprehensive risk management system that is compatible with its own development strategy. We have formulated the "Table for Risk Identification, Evaluation and Countermeasures", and risk management covers all types of risks and all departments, with effective operation of relevant mechanisms and processes for risk identification and analysis, assessment and measurement, monitoring and reporting, response and disposal.

1 Since the principal business of the Group is not part of the production and manufacturing industry, the "exhaust gas" in the Report refers to air pollutants.

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The Group attaches great importance to ESG risk management at the business level and we will further consider incorporating more ESG risk elements into the existing systems. During the Year, Activation continued to deepen and improve the effectiveness of its internal control work by regularly auditing the business processes of each department. We have formulated the "Countermeasures to Address Risks and Opportunities Control Procedure", which requires relevant departments to conduct risk rating on each potential ESG risk. We have formulated three countermeasures against risks based on the risk rating results, including "risk hedging", "risk acceptance" and "risk reduction". When it comes to adoption of risk strategies, we are likely to adopt "risk hedging". If there is loss incurred by being unable to eliminate risks, failing to eliminate risks due to no effective ways available or the cost of risk elimination being higher than that of the risk, we will adopt countermeasures of "risk reduction" or "risk acceptance", as shown in the graph below:

Risk hedging

refers to elimination of risks or conditions under which they occur through planned changes, protecting the targets from the risks.

The occurrence of loss will be reduced through prior control and post-remedial measures.

Risk acceptance

refers to the loss caused by the risk assumed by the company.

Generally applicable for those that cause less losses and more repetitive risks.

Risk reduction

refers to reduction of damages or losses derived from risks by adopting measures.

Internal control is a cornerstone for risk management. In order to regularly inspect the Company's operation and management processes and internal control implementation, we plan to progressively adopt ISO9001:2015 and ISO14001:2015 management and have reviewed potential environmental, project and management risks at the Shanghai office during the Year. We continue to review our risk profile and identify and assess potentially material ESG-related risks in order to enhance the Company's overall risk prevention capability and achieve steady development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. RESPONSIBLE OPERATION

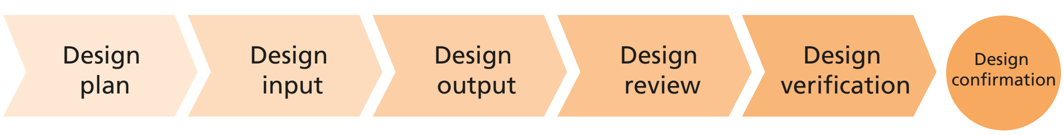
Activation is the leading interactive data performance marketing group for pan-fashion (泛時尚) brands in Greater China, with businesses that cover experiential marketing, digital marketing and brand promotion, media public relation, entertainment marketing, sports marketing, brand positioning/advertising and other cross-media integrated marketing communications, as well as e-commerce services, IP operation, etc. We mainly provide experiential marketing services for premium brands in Greater China, with commitment to providing high-quality and professional marketing solutions with rigorous standards. With data interactive marketing as our core model, we continuously accelerate the overall marketing layout of digitalisation, including creating a metaverse marketing ecosystem as well as providing performance-based marketing and live-streaming e-commerce to assist brands to realize the closed cycle from marketing to sales.

During the Reporting Period, there was no non-compliance with relevant laws and regulations that have a significant impact on the Group relating to the advertising, labelling and privacy matters and remedies of the products and services provided.

3.1 Attention to Service Quality

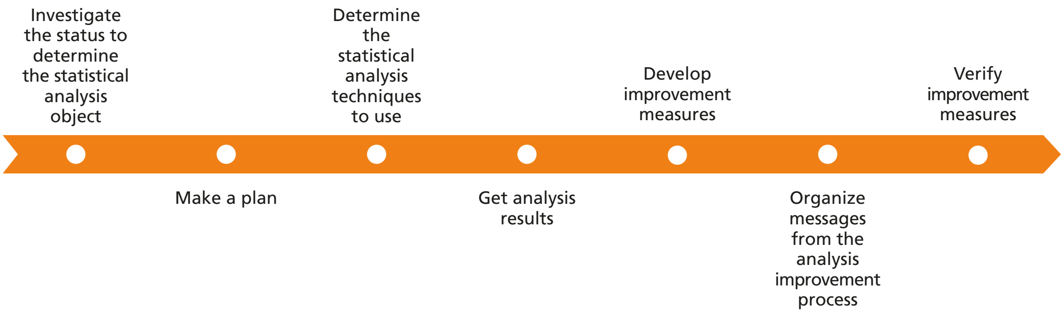
As a professional integrated marketer, our ability to deliver excellent marketing strategies and creative planning is an important factor in maintaining our leading position in the market. We have always been committed to the pursuit of continuous optimisation and updating of service quality, enhancing the customer experience and providing customers with a full set of marketing solutions that meet their demands. We have developed a robust quality management system and adopted a number of quality management systems and standards to ensure that the services satisfy the needs and expectations of customers and comply with relevant laws and regulations.

In order to standardize the supervision and control of the entire process of design services, we have developed the Design and Development Control System (《設計和開發控制制度》) to flexibly work out design output plans through diversified media according to the nature and characteristics of the service. The design output plan covers six stages in which we evaluate the suitability of the design corresponding to external resources, the adequacy of meeting the overall design input requirements, the extent to which the set goals are achieved, and identify and anticipate possible loopholes, after which corrective measures will be proposed.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Quality inspection is a core element of our corporate management. We carry out scientific assessments and stringent controls to ensure the service quality. We are therefore committed to the safety of all our services and designs, requiring that all design drafts that pass the review stage will be inspected for compliance with safety standards and evaluated by the client's satisfaction with the contractual requirements and service suitability. If any adjustments involve changes in main technical parameters and functions, performance indicators, or required by personal safety and relevant laws and regulations, we require appropriate verification and confirmation of the changes, and the implementation of the design plan is subject to the approval by the department manager. The Group has formulated the Monitoring, Measurement, Analysis and Evaluation Control System (《監視、測量、分析和評價控制制度》). We utilize quantitative information to grasp the suitability and effectiveness of the current management system, collect and analyze feedback from all departments of the Group during service provision to track the market performance of related services and identify possible improvement methods. We select appropriate statistical techniques to analyze different information sources through data-based management, including: customer satisfaction, conformity of services to customer needs, characteristics and development trends of design services, and supplier information. The analysis process is shown in the figure below.



Continuous improvement in overall performance is a perpetual target of the Group. We strictly monitor any projects with potential problems or have underperformed, and take corrective measure to eliminate the cause of non-conformity and prevent its recurrence or occurrence on other occasions in accordance with the Non-Conformity Control Program (《不合格品控制程序》) and the Non-conformance, Corrective and Preventive Control Program (《不符合、糾正和預防控制程序》). In addition, we have prepared the Continuous Improvement Control Program (《持續改進控制程序》) to improve our products and services in order to meet the requirements of and pay attention to future needs and expectations.

During the Reporting Period, the Group had no service projects that had to be returned for safety and health reasons.

3.2 Advertising and Customer Management

Activation always takes customer satisfaction as the core standard for its continuous improvement of services, takes care of every customer, and provides professional solution to meet their needs. The Group strictly complies with 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》) to protect the legitimate rights and interests of customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We highly value customer experience and have developed various channels to collect customer opinions, including telephone calls, emails and meetings. We regard customer opinions as the driving force for the continuous improvement of service quality. We have established a "Customer Satisfaction Measurement and Control Program" (客戶滿意度測量控制程序) to summarize and analyze the opinions collected, monitor information on customer satisfaction or need for improvement, and analyze and adjust strategies based on the results of opinions collected.

We have developed a comprehensive customer service system for customers, which includes the Customer Complaint Management Regulations (《客戶抱怨管理規定》), the Sales Service Specification (《銷售服務規範》) and the Service Quality Checklist (《服務質量檢查表》) to strictly control our service process and standardize service behavior.

We strive to build customer loyalty to our brand and value every opinion and feedback from customers, and are pleased to receive comments or suggestions on our products and services. Once we receive feedback from customers, including opinions on unsubscribing services due to substandard customer inspection, we will conduct independent investigations on each complaint case. After the investigation, we will report the cause of the problem to customers, propose solutions and arrange customer reviews as soon as possible.

We take every opportunity for improvement seriously, analyzing the reasons for unsatisfactory performance and formulating plans for further improvement, so as to reveal any potential problems and address the causes of such problems. At the same time, we also continue to strengthen internal communication and regular review, sort out and save the complaint content of each case for vigilance. We will also reflect and review the causes of the problem, and develop various preventive measures.

During the Reporting Period, the Group has provided more than 360 services and has not received any complaints about products or services.

Responsible Marketing

As the leader of marketing strategy in Greater China, Activation continues to expand its marketing system business and assumes the responsibility of promoting the products in the market for its customers. As to this, the Group upholds the bottom lines of laws and regulations, and strictly complies with the requirements of national laws and regulations, making every effort to ensure that advertising and commercial promotion activities are truthful and refusing any false advertising that may mislead consumers.

In order to enhance the awareness of compliance marketing, the Group has formulated the Sales Service Specifications (《銷售服務規範》) to specify the sales and service behavior of employees, so as to prevent customers and the public from being provided with any false or misleading service information. At the same time, we will continue to review and update its communications to ensure that we keep our customers and the public up to date.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.3 Health and Safety of Services

Leveraging our years of industry experience in event planning, Activation is committed to meeting customer needs and expectations through professional, safe and innovative services, creating memorable marketing campaigns for our customer while regarding safety as a top priority throughout our business operations.

We are committed to building a safety-first culture, providing a safe, efficient and comfortable working environment and service to all customers, partners and employees. During the entire project preparation and planning, we will continue to negotiate and communicate with customers, and obtain customer consent before starting, to ensure that all aspects of the event meet customer requirements and safety standards.

The Group conscientiously performs and assumes the safety responsibility as an event planner and complies with the Regulations on Security Administration of Large-scale Mass Activities (《大型群眾性活動安全管理條例》). To ensure public safety, we apply for a safety permit and establish a safety work plan for each large-scale event, and plan the number, positions and workflow of safety staff in advance. In order to effectively control emergencies, we have established an emergency rescue plan, according to which we will calmly handle the emergency or incident that may arise.

In providing exhibition and marketing services, we implement comprehensive safety measures for the labelling, handling, production environment, packaging and storage of the goods concerned, including:

- Stipulate and implement safety labeling to ensure proper storage and handling;
- Provide appropriate handling equipment, tools and methods to prevent damage to the goods during handling;
- Establish and maintain a suitable production environment to ensure that conditions such as temperature, humidity and light level required for the goods are met to avoid causing spoilage to goods or safety incidents;
- Repackage according to the features of the goods and customer's requirements, where necessary, to facilitate handling, storage and protection;
- During storage, goods are provided with protective environments and facilities and are strictly monitored to prevent damage and spoilage.

The Group is well aware that novel coronavirus is a major public health risk. Although the epidemic effects linger, we have taken a cautious approach and are fully prepared for the prevention and control of the epidemic and resumption of normal activities under the normalization. During the epidemic, all large-scale events have strictly complied with the guidelines of the "Guidance on the Normalization of Prevention and Control of COVID-19 in Mass Events" issued by the respective regions and followed the process of event application, filing and approval to ensure that relevant events were held in a safe and orderly manner.

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Before the event, we will control the scale of the venue and the personnel in advance, and reserve sufficient epidemic prevention and control materials according to the scale of the event and the number of personnel, including disinfection equipment, disinfection supplies, masks, gloves, hand sanitizer, etc. During the event, we will arrange a designated staff responsible for health monitoring, conduct daily temperature monitoring of activity staff, and ensure the accuracy of body temperature detection through infrared temperature measuring instruments and other equipment. We will also require all attendee (including staff) to provide proof of vaccination, negative nucleic acid test results issued within 48 hours, or to sign a letter of commitment based on the scale and situation of the project.

4. STEADY OPERATION

4.1 Implement Integrity Operation

Activation has zero tolerance for corruption and strictly complies with 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 Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), the Oversight 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 of the Hong Kong Special Administrative Region and other laws and regulations related to anti-corruption and bribery.

The Group is committed to establishing a corporate culture of fairness and integrity and has formulated a Code of Conduct for Employees(《員工行為守則》), which strictly requires employees to be vigilant, honest and fair at all times when performing their duties, and to maintain good conduct and integrity. It covers the acceptance of benefits, conflict of interest, information confidentiality and other conducts of employees. At the same time, we have established the Anti-Commercial Bribery Agreement (《反商業賄賂協議》), and an Anti-Commercial Bribery Clause in the Supplier Contract (《供應商合同》), which prohibits any behaviors related to commercial bribery, illegitimate interests and conflict of interest. It is required to sign such agreements with the cooperative institution to safeguard the mutual interests of the parties.

Corruption needs to be prevented before it happens. The Group encourages employees to actively report actual or suspected cases of corruption, bribery and other improper behaviors violating work ethics. Therefore, we have set up whistleblower rewards, and have established an effective Anti-Corruption Reporting System (《反貪腐舉報制度》) which is responsible for handling reports of violations of laws and regulations and corruption. We rigorously protect the identity of whistleblowers, and reported cases can be received by the co-chairs through a dedicated email address. Meanwhile, the staff involved in the investigation will keep all the information of the whistleblower strictly confidential, and shall not disclose the information to people unrelated to the investigation to ensure the safety of the whistleblower.

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The Group understands that creating a workplace free from corruption requires the involvement of our employees and the enhancement of their awareness of anti-corruption. We have therefore established the Anti-Corruption Training System (《反貪污培訓制度》), which requires all employees to participate in anti-corruption training at least once a year, and Board members and senior management to attend anti-corruption training once every six months. During the Year, directors and employees of the Group attended "Anti-Money Laundering and Anti-Corruption Seminars" organized by professional anti-corruption training institutions to gain an in-depth understanding of the current situation, legal provisions, composition of offences, common situations and issues, preventive actions, etc. in relation to the offence of money laundering, which is a common form of corruption in business.

In addition, the Group has set up an anti-corruption and integrity column on the intranet, with a two-pronged approach of training and promotional videos to increase vitality to the Group's cause of integrity. We will update the integrity videos from time to time, starting with the themes of remembering our roots and practising integrity, and focusing on topics such as no irregularities in reviewing and approval, no soliciting or accepting favors, no internal designation of materials and equipment, no disclosure of tender information in advance, no acceptance of invitations to food, drink and entertainment from another party and no risky operations. The Group hopes that its advocacy of anti-corruption and integrity can have a subtle influence on the management and employees at the level of factual and value judgement.

During the Reporting Period, the Group did not have any litigation cases related to corruption, nor violated relevant laws and regulations that have a significant impact on the operation of the Group.

▲ Anti-money Laundering and Anti-corruption Training

4.2 Supply Chain Management

The Group is committed to reducing social and environmental risks in supply chain management and sharing social sustainability responsibilities with suppliers. We strictly require our suppliers to comply with the codes of conduct during their business dealings and contract performance, and to work together to develop a more responsible, growth-oriented and sustainable supply chain system.

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The Group implements strict and standardized management in regards of supplier approval, and has regulated Procurement Process (《採購流程》). The review for supplier approval covers aspects such as supplier qualification, corporate risk, quality and environmental standards. We will include qualified suppliers into the Qualified Supplier List (《合格供方名錄》) and conduct follow-up reviews of qualified suppliers once a year and fill in the Qualified Supplier Evaluation Form for scoring (《合格供方評審表》). If the total score of the supplier's evaluation is not satisfactory, its qualification will be cancelled. If a supplier's behavior fails to comply with our policies, we may suspend cooperation until the situation improves.

While the Group strictly requires itself to comply with ethical standards, it also has standardized requirements for the ethical business conduct of its suppliers. Our suppliers must comply with local and international laws related to anti-corruption, labor rights, health and safety. We have formulated the Environmental Procurement Policy (《環保採購政策》), which covers the procurement of various products and services for final consumption, online procurement and procurement of raw materials, finished goods, semi-finished goods and other production materials. All our suppliers are required to sign the Anti-Commercial Bribery Agreement (《反商業賄賂協議》), which prohibits any form of commercial bribery behavior. At the same time, we have included the following clauses in the Supplier Contract (《供應商合同》), which requires suppliers to respect employees, pay attention to the safety of the working environment, use environmentally friendly products and pay attention to environmental protection, so as to facilitate the practice of ESG among suppliers.

Terms of the Supplier Contract

Environmental	Social	Governance
• Environmental Clearance Certificate (e.g. ISO14001, EMAS, ISO50001)	• Anti-child Labor • Anti-forced Labor • Anti-discrimination • Safe and Healthy Workplace • Intellectual Property Rights • Reasonable Remuneration • Working Hours and Holidays	• Anti-Commercial Bribery • Information Confidentiality

During the Year, the Group further enhanced the supervision of the supply chain by establishing a supplier performance monitoring system to monitor suppliers in terms of environmental protection, resource conservation, corporate social responsibility and sustainable development. In selecting suppliers, we assessed and reviewed them from a multi-dimensional perspective, including environmental protection, resource conservation, safety management and corporate sustainable development. We give preference to suppliers who comply with the relevant requirements of the Enterprise Environmental Credit Evaluation Measures (Trial) (《企業環境信用評價辦法(試行)》) issued by the Ministry of Environmental Protection, the National Development and Reform Commission, the People's Bank of China and the China Banking Regulatory Commission, and to those who are rated by the environmental protection authorities as Environmental Integrity Enterprise or Environmental Friendly Enterprise. We regularly engage with suppliers and review the quality of their products, their compliance with environmental protection and corporate social responsibility, etc.

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The Group has launched a long-term development plan for sustainable procurement, aiming to set an example for our industry peers and the community in green procurement. We actively encourage our suppliers to reduce the use of various raw materials and packaging materials, replace them with more environmentally friendly materials, avoid or reduce environmental pollution, etc. through value analysis. At the same time, we also require suppliers to comply with the requirements of green packaging for their own products or raw materials, not to use packaging materials containing toxic or hazardous substances, and to use recyclable, degradable or harmless packaging materials to avoid excessive packaging and minimize the consumption of packaging materials on the premise of meeting the demand.

During the Reporting Period, the Group had a total of 22 major suppliers, of which 13 were located in Shanghai, China, 7 in Beijing, China and 2 in Guangzhou, China. The procurement categories mainly include products and services of lighting, audio and construction.

4.3 Safeguard Information Security

Activation continues to expand its footprint in the digital marketing sector in China, placing great emphasis on information handling and network security. The Group strictly conforms with the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》), the Regulations of the People's Republic of China on Protecting the Safety 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 (《互聯網信息服務管理辦法》), the Administrative Measures for the Security Protection of Computer Information Networks Linked to the Internet (《計算機信息網絡國際聯網安全保護管理辦法》), the Personal Data (Privacy) Ordinance of the Hong Kong Special Administrative Region (香港特別行政區《個人資料(私隱)條例》) and other relevant laws and regulations, and strictly prohibit any violation by employees throughout the process of collecting, using and storing customer information.

We have established the Information Security Management System (《信息安全管理制度》) and Code of Conduct (《行為守則規範》), covering management areas including: information security management, computer equipment security management, electronic file security, password security management, software security management, database management, etc.

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We attach great importance to the professional conduct of our employees in safeguarding confidential information and strictly prohibit employees and former employees from transferring, disclosing or leaking customer information to third parties. All customer information is securely stored on our information system platform, and the use of relevant customer information is limited to the purpose specified in the contract and is only accessible by authorized personnel. During the Year, we have revised the regulation of information confidentiality in the Labor Contract (《勞動合同》) to give legal effect to the prohibition on disclosure of information by employees. In order to prevent information leakage, we have taken security precautions to protect the sensitivity and confidentiality of information and formulated the "Information Security Prohibited Behaviors (《信息安全禁止行為》)"and set up Information Security Response Mechanism (《信息安全回應機制》), which strictly prohibit employees from information leakage, such as to use the information system platform and network resources of the Company to produce, circulate, and copy any information that is harmful to the Company and employees, or to release, transmit, or disclose any information about the Company through the network or mobile storage devices without permission. In case of sudden information security incidents (such as disasters or incidents with significant impact), we will promptly deal with them and report to the management.

During the Reporting Period, the Group did not receive any substantiated complaints regarding leakage of customer privacy or loss of customer information.

Intellectual Property Rights Protection

As a cross-media integrated marketing company, Activation is engaged in the business of providing intellectual property rights development for clients, and we understand the importance of protecting intellectual property rights. The Group strictly abides by the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the 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 Hong Kong Special Administrative Region, and endeavor to protect the Group from reputational damages arising from the infringement of its intellectual property.

The Group has developed the Asset Management System (《資產管理制度》) to manage intangible assets such as intellectual property rights and patented technologies, regulate its own intellectual property management and prevent infringement of the intellectual property rights of others, so as to eliminate the risk of infringement of customers' and third parties' intellectual property rights in the course of its design, research and development and operations. The Group has also taken steps to closely monitor its business activities that may involve the use of intellectual property rights, including safeguarding commercial confidential and know-how, submitting applications for technology and process improvement, trademarks and copyrights, and strictly prohibiting employees from copying registered intellectual property rights. At the same time, we attach great importance to the professional conduct of the intellectual property rights management staff and technical personnel. We therefore strengthen the training on intellectual property rights and the publicity of intellectual property rights protection to enhance their awareness of intellectual property rights protection. In case of any infringement of intellectual property rights, the Group will take legal action to safeguard our interests and the corporate culture of respecting intellectual property rights.

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In addition, during the Year, we have revised the regulation of intellectual property rights in the Labor Contract (《勞動合同》) to require employees not to infringe on the intellectual works of others, including designs, logos, know-how, database or may be subject to copyright, patents, designs, trademarks, etc.

During the Reporting Period, the Group had 29 existing trademark registrations and 18 existing software copyright registrations. The Group did not have any complaints or lawsuits regarding data protection and privacy protection.

5. VALUING TALENTS

We believe that the shaping and presentation of employees' personal values is the core of the Group's overall value. We are devoted to creating a safe, fair and socially-responsible working atmosphere for employees by formulating and implementing employment policies in compliance with laws and regulations.

5.1 Optimizing Employment Management

The Group adheres to the principle of fair and equal employment, and abides by the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Employment Ordinance of the Hong Kong Special Administrative Region and other employment-related laws and regulations in the places where it operates. We aim to create a harmonious and inclusive working environment for employees, protect their rights and interests through various measures, value their safety and health, and continuously increase the recruitment, reserve and training of key personnel. We have prepared the Employee Handbook (《員工手冊》), which adopts a people-oriented management, making provisions on the daily management of the office and the code of conduct for employees, as well as recruitment, resignation, remuneration, promotion, working hours, holidays, anti-discrimination, equal opportunities and benefits, etc., to protect the legitimate rights and interests of our employees.

Recruitment and Dismissal

The Group has established a sound and transparent recruitment process and carries out recruitment according to the human resources requirement plan, which can be conducted through a combination of external recruitment and internal recommendation. We hire competent talents based on the position requirements and uphold the principles of equal opportunity and non-discrimination in recruitment, promotion and other employment matters, irrespective of age, gender, physical health and other factors.

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We have established strict compliance controls over the requirements under the labor law including the prevention of use of child and forced labor, and extended such expectations to our suppliers. The Group abides by the Provisions on the Prohibition of Using Child Labor (《禁止使用童工規定》) and the Law of the People's Republic of China on the Protection of Minors《中華人民共和國未成年人保護法》and the Employment Ordinance of the Hong Kong Special Administrative Region. We specify in the Employment Contract that we will only recruit candidates who are of legal working age and prohibit employees from recommending people under legal working age for our employment. We prudently review the identity information of applicants and maintain the personnel files of all employees for verification of authenticity, including copies of age profiles and onboard dates. If false information is found, the Company has the right to make dismissal and request to protect relevant rights and interests of the Company.

In addition, the Group strictly prohibits forced labor and has established Attendance Management (《出勤管理》) to specify standard working hours. We strictly enforce the relevant working and holiday systems in accordance with the corresponding personnel management system and national regulations. If there is a need for overtime work, it must be arranged by the company and approved in advance by the head of the department, and reported to the Human Resources Department for the record. The Company will provide time off or overtime compensation according to national regulations.

The Group strictly prohibits any unfair or unlawful dismissal and terminates the labor contract with reasonable and legal reasons. In accordance with the relevant regulations of the labor law, we sign the Rescission of the Employment Contract (《解除勞動合同協議書》) with the resigned employees. Each year, we closely monitor the employee retention rate and turnover risks and provide timely follow-up and feedback, and adjust our workforce with reference to the turnover figures and reasons for employees' resignation, so as to better reduce human capital risks and avoid loss of talents.

Salary Promotion, Benefits and Holidays

We have established a fair, reasonable and transparent mechanism on performance evaluation to strengthen the building of talent teams, promote the identification, selection, appointment and development of talents and achieve common development of employees and the Company. We conduct annual employee performance evaluation and make performance evaluation criteria available for employees' reference. We also set out the basis for remuneration, year-end bonus and position adjustment in the Employee Handbook. We respect and value talent and hope employees to unleash their potential in suitable positions. Therefore, we regularly review the performance of our employees and provide promotion opportunities for outstanding employees in order to help them advance in their careers in the future.

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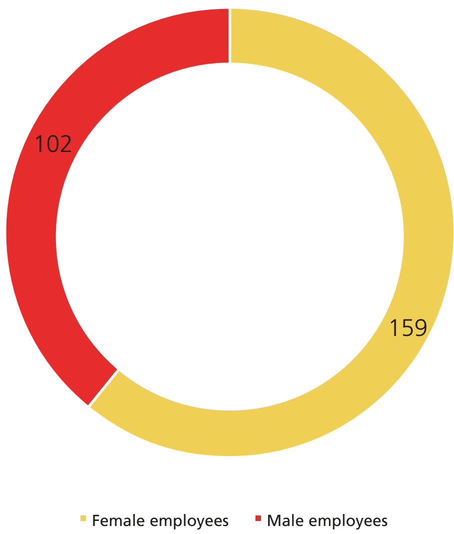
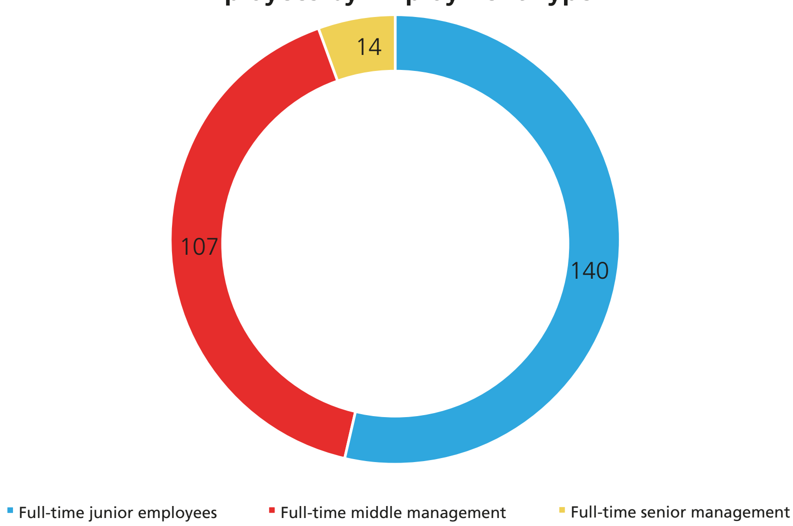
In addition, the Group has developed the Employee Welfare Management System (《員工福利管理制度》) in compliance with the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), and paid social medical insurance, provident fund, and medical insurance supplemented by the Group for all full-time employees. We have made a reward and punishment scheme that specifies the reward rules and forms, to reward their work performance with the principle of fairness and transparency. In addition to generous remuneration and benefits, we offer comprehensive and flexible vacation packages, including annual leave, personal leave, marriage leave, maternity leave, bereavement leave and sabbatical leave, etc., to provide our employees with a good work-life balance.

During the Reporting Period, the Group did not have any violation related to employment, use of child labor or forced labor. The following is an overview of the Group during the Reporting Period:

Employees by Gender



Employees by Employment Type[2]



[2] The Group did not hire any part-time employees during the Year

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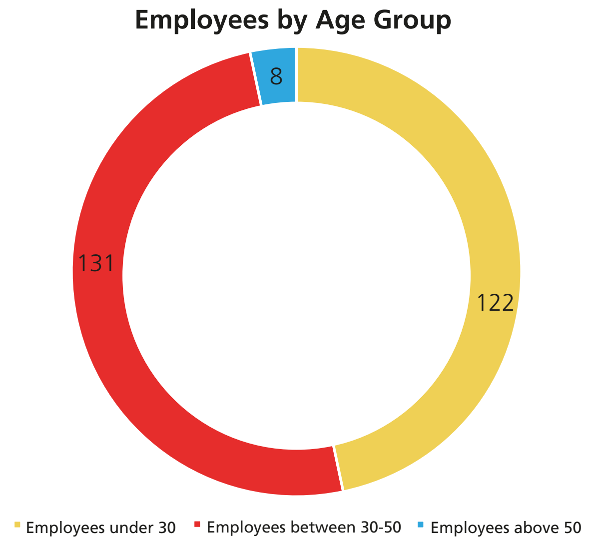

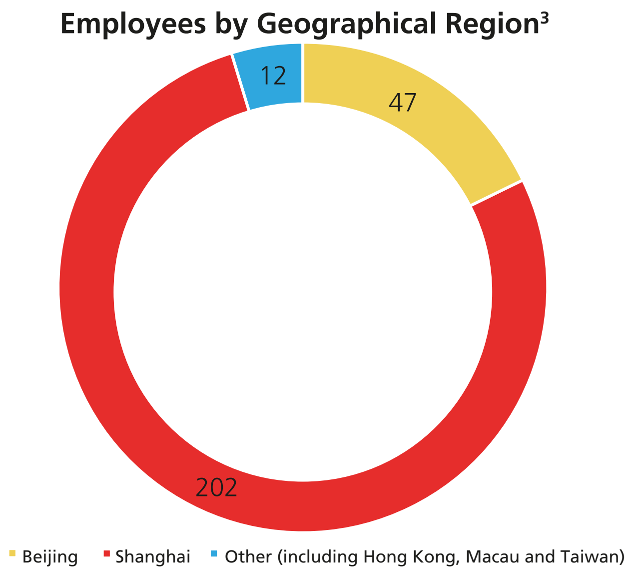

[3] During the Reporting Period, employees by geographical region are divided by location of work

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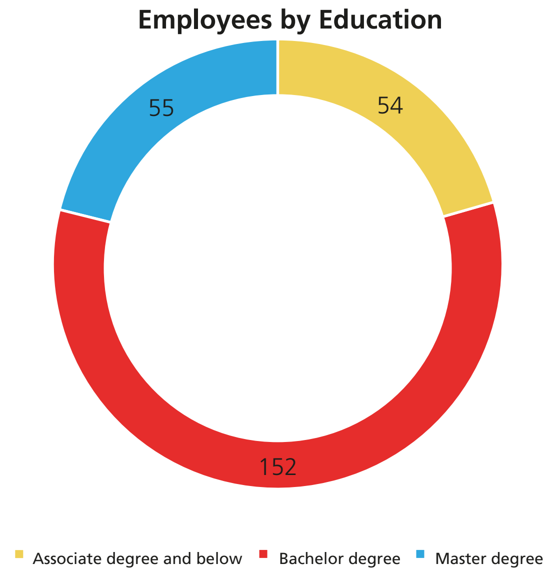

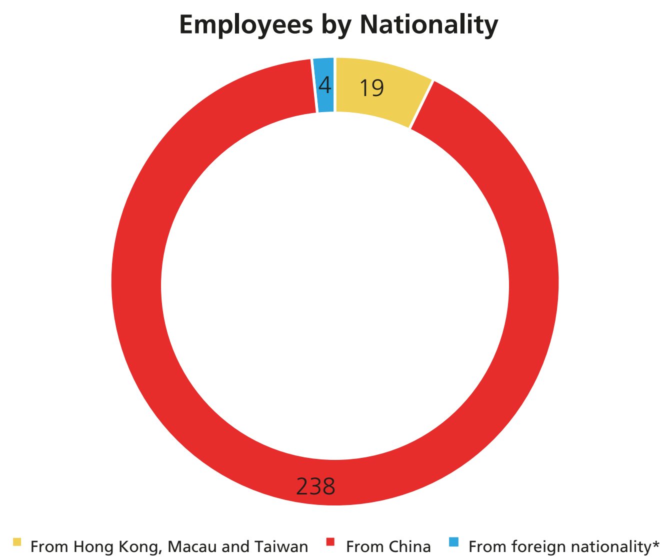

* During the Year, the foreign employees of the Group include: 1 from Spain, 1 from the Philippines and 2 from Malaysia

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5.2 Employee Growth and Development

Activation is committed to developing comprehensive talent training and actively building a platform for our employees to realize their self-worth. By providing a wide variety of internal and external training courses and training opportunities, we continuously improve our employees' overall quality.

The Group is well positioned for new opportunities by expanding its business layout into digital and innovation fields. The Group has developed an annual plan on staff training and development, covering training programs on fire safety knowledge, job responsibilities and business skills.

Training on development of marketing	Metaverse and advertisement design training	Corporate budget management practice (financial training)	Digital transformation of finance training	Interpretation of new financial policies
Anti-money laundering and anti-corruption training	Fire protection training	First aid training	Domestic and foreign measures in response to climate change	

In order to broaden the horizon of our staff and to keep abreast of market needs, we introduced a special training on "metaverse" during the Year with the expectation that our employee will become more aware of the importance and urgency of integrating corporate business into emerging industries, and how to integrate metaverse with advertisement design and apply it to marketing planning. For new employees, we provide induction training to introduce the Company's structure and culture, financial requirements, personnel and administrative policies, legal procedures, anti-corruption system, whistle-blowing policy, etc. We hope that every new employee will have a deep understanding of the Company's business areas and organizational structure, appreciate the essence of our corporate culture and gain a deeper sense of belonging. Through our question-and-answer sessions, new employees gain a high level of recognition of the Company's system of functional departments and a good grasp of the process, laying a solid foundation for their future work development.

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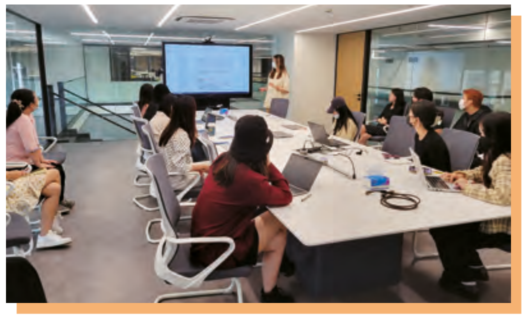
Meanwhile, we also encourage employees to attend external training programs by providing training incentives so that they can continue to acquire various professional knowledge and skills and contribute to the Company. As such, we have established various training subsidy programs to support employees in continuing education in recognized professional institutions for their self-improvement.

▲ Environment and climate change training



▲ Induction training

▲ Financial training

▲ Business training

During the Reporting Period, the employee training of the Group was as follows:

Indicator		Average Training Hours (hour)	Training Rate[4]
By gender	Female employees	4.00	79.87%
	Male employees	4.00	79.41%
By employment types[2]	Full-time junior employees	4.00	80.00%
	Full-time middle management	4.00	79.44%
	Full-time senior management	4.00	78.57%

[4] Calculation method: (the number of trained employees in this category/the total number of trained employees in this category) X 100%

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5.3 Occupational Health and Safety

The health and well-being of our employees is our top priority. The Group complies with relevant 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》), the Regulation on Work-Related Injury Insurance 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 of the Hong Kong Special Administrative Region to provide a safe working environment for our employees.

We strive for a zero-injury working environment and do our best to eliminate potential occupational safety hazards. As such, we will identify and conduct risk assessment on potential occupational safety hazards, analyze the potential factors and classify hazard levels. We have also established the Occupational Safety and Health Management System (《職業安全健康管理制度》) to take responsibility for the wellbeing of our staff and minimize the safety risks in the workplace. We monitor the operation of the occupational safety and health management system by regularly record tracking, including records of emergency response drills, instrument calibration and equipment maintenance activities, occupational safety and health meetings, and accident tracking reports. For employees working in high-risk environments, we have set up safety protection measures and provided them with necessary protective equipment.

In order to enhance our employees' capability in responding to emergencies, we organized first aid training during the Year in the hope of further strengthening the awareness and skills in self-help and mutual help. In the first aid training, employees practiced cardiopulmonary resuscitation and Heimlich maneuver (foreign body airway obstruction) and conducted a practical exam on cardiopulmonary resuscitation. The training was well received and the employees showed a high level of participation and enthusiasm in learning. Through interactive and experiential exercises and tests, employees' first aid awareness and first aid knowledge were cultivated.

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As fire safety is one of the common occupational safety hazards, we have established emergency measures for fire safety to proactively raise employees' awareness of fire hazards. To this end, we adopt "prevention-oriented and comprehensive treatment" as the strategic policy, established emergency measures for fire safety, and we demand a smoke-free workplace and require the employees to participate in fire escape drills to enhance their capabilities of handling emergencies. At the same time, we have also strengthened fire education and training by regularly revising employees' knowledge and skills in fire management regulations, fire safety and emergency evacuation. The Group will continue to regularly review the suitability of occupational health and safety measures and policies and improve their effectiveness.

▲ Fire drills and training

▲ First aid training

Epidemic prevention and control measures

We are actively cooperating with the government's epidemic prevention and control strategy and are fully committed to protecting our employees. We have taken a number of measures to minimize the impact of the epidemic on our business, to ensure the health and safety of our customers and employees, and to speed up the recovery of our business. The return to work measures include, but not limited to:

"Scan proactively" during travel:	• When taking public transport, you can scan the "Venue Code" actively to complete a quick code flashing and personal information registration. • Wear face mask throughout the journey, avoid touching objects in public, do not touch eyes, mouth or nose with hands, and it is recommended to reduce the use of elevators while in underground railways.

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Complete the "Five Key Actions" upon arrival:	• Entering the building requires a 72-hour negative PCR test report, scanning the Venue Code or the presence of a green "Suishenma" QR Code (隨申碼); • Stagger the rides and keep the distance from others when waiting for and entering the lift. Avoid directly touching public areas such as buttons and compartment walls; clean hands promptly after leaving the lift; • When entering the office, ventilate and clean the environment first, disinfecting frequently-used office items such as keyboards, computer mice and phones using cotton balls with 75% alcohol or disinfectant wipes; wash hands promptly after touching common items. Wear masks in all non-isolated offices, reduce talking while walking, and maintain a social distance of at least one meter; • Hold fewer meetings and shorter meetings if possible, and conduct them through video conferencing and other means. If a meeting must be held, its scale should be controlled, ventilation should be maintained in the meeting room, participants should wear masks and space should be kept between seats; • The key to protection during meals: Take meals at staggered hours, practice good personal hygiene before eating, sit apart after getting meal; no communication during meals and leave as soon as possible afterwards. Employees eating separately are recommended to eat at their own work stations and not to gather.

We care about our employees' health and pay close attention to their health. We provide regular health check-ups for full-time employees who have passed their probation to protect their health. In the future, we will continue to allocate resources to minimize the risks related to health and safety. During the Reporting Period, the Group did not receive any complaints or lawsuits regarding violations of laws related to health and safety, and there was no work-related death in the past three years.

5.4 Heartwarming Care for Employees

Activation adheres to the people-oriented concept and continues to provide employees with warm and caring care measures and staff activities to enhance their sense of belonging and happiness. We organize birthday celebrations for our employees through birthday parties to add a ceremonial sense of belonging to our staff and strengthen their emotional connection to the Company. During the Women's Day and Mid-Autumn Festival, we also give blessings and festive gifts to our employees, wishing them a wonderful festival full of love and warmth.

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- ***Employee Birthday Party***

Adhering to the concept of "people-oriented", the Group considers employees to be an important part of us. The Group continues to organize the "Monthly Employee Birthday Party" planned and held by our Administration Department. On the last Friday of each month, a group birthday party is held for employees whose birthdays fall within that month, with interaction, games and gift sharing being organized. We focus on communicating with our staff to take care of their physical and mental well-being.

- ***Epidemic Prevention Package***

This April, Shanghai was under lockdown due to a severe epidemic outbreak. To thank everyone's efforts and support for home office and to assist them in staying indoors, the Company actively mobilize resources to centrally procure a batch of food and supplies for Shanghai colleagues, in the hope that the employees and the Company will tide over the difficulties and create a better future.

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- ***Halloween Costume Event***

The Group organized a Halloween costume event on 31 October this year under the theme of "Trick or Treat, Long Live the Fun".

We built a warm and vibrant corporate culture through the event and let our employees feel their bond with Activation.

- ***Women's Day***

To express our care and wishes to all female employees, the Group has prepared special holiday gifts on 8 March this year to wish them a wonderful holiday full of love and warmth.

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- ***Mid-Autumn Festival***

In Mid-Autumn Festival, the Group sent gifts and wishes to employees of the Group in the form of a family letter. (Thank you, members of the Activation family. Supported by your love and devotion, we have greater power and courage as we run ahead. In the future, let us join hands and head for a better future with Activation!)

6. GIVING BACK TO SOCIETY

Along with its rapid corporation growth, Activation is dedicated to social development, actively fulfilling its social responsibilities and bearing corporate obligations. We are actively involved in public welfare activities, focusing on environmental protection and healthy living, and contributing to social prosperity. In the future, Activation will continue to commit to public welfare and creating a positive impact on social well-being and environmental protection.

In terms of social welfare, the Activation Group has always adhered to the philosophy of "from the community, to the community". During the Year, we did our part in solving the problem of a lack of educational materials by donating books, so that children in need can broaden their horizons through reading and bravely pursue their dreams.

This donation is made to Shuangjiang Primary School Minhang District (上海閔行區民辦雙江小學), a school in Minhang District, Shanghai recruiting children of migrant workers which has been awarded "Civilized Campus of Minhang District" multiple times. All of its students are non-Shanghai residents and most of them are from financially marginalized families.

1,000 books were donated to the school at the ceremony, some of which will be transferred to neighboring communities where students are located, so as to maximize their value. After the ceremony, Activation representatives played a game of Frisbee with the children.

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In terms of environmental welfare, the Group actively responded to environmental activities on 26 March 2022.

Initiated by WWF, Earth Hour is the world's largest environmental protection public welfare activity. The Group actively publicized and encouraged its employees to participate in the event, calling on all employees to turn off unnecessary power at home when on break during the last Saturday of March this year, stimulating employees' concern about the climate and sense of responsibility for environmental protection with a most ceremonial gesture of turning lights off.

This environmental protection activity not only promoted the enthusiasm of all employees to participate in environmental protection events, but also improved their energy conservation awareness.

▲ Photo credit: World Wide Fund for Nature (WWF)

7. GREEN OPERATION

Activation sees environmental sustainability as a key part of fulfilling its corporate social responsibility and promotes the reduction of environmental and climate change impacts from its operations.

7.1 Responding to Climate Change

With the gradual implementation of the dual carbon goal in China, we recognize that environmental regulations are likely to tighten continuously and that our customers and investors are increasingly concerned about climate change issues. While the Group's operations do not have a significant impact on climate change, we remain concerned about and committed to make contributions to climate change mitigation, and we pay attention to the profound and extensive impact of climate change on our operational model.

As climate change is one of the potential risks in the Group's business, we have enhanced the identification of climate risks in our risk management system by referencing to the Stock Exchange's Guidance on Climate Disclosure, relevant websites and information sources on physical risks and transition risks to assess potential climate change risks as much as possible. During the Year, we have assessed potential physical climate risk points that may be affected based on our principal place of business. We have also refined our assessment of the "transition climate risk category", adding "policy and legal risk", "market risk" and "reputational risk" compared to last year.

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Identified climate risk	Example	Potential impact	Current risk-mitigating countermeasures
A. Physical climate risk	Typhoon, extreme heat, coastal flooding, urban flooding, riverine flooding and water shortage	• Staff commuting and outreach activities may be affected by hurricanes or other extreme weather	• Formulated the "Extreme Weather Emergency Plan" (《極端天氣應急預案》) to provide guidance on work arrangements under extreme weather • Formulated the "Emergency Measures for High temperature Operation" (《高溫作業應急措施》) and implemented a noon break system for employees working outdoors during high temperature periods • Actively participated in environmental charity activities (such as tree planting)
B. Policy and legal risk	Reporting disclosure compliance risks	• Reputation damage and loss of competitive advantage	• Inclusion of carbon peaking and carbon neutrality contents in employee training programs

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Identified climate risk	Example	Potential impact	Current risk-mitigating countermeasures
C. Market risk	Failure to comply with the client's climate change policy	• Loss of important customers	• Purchase energy-saving office supplies to reduce carbon emissions
D. Reputational risk	Stakeholders demanding the Company to raise its standard on actions in response to climate change; a failure in responding effectively to such demands would impact corporate reputation	• Loss of competitive advantage over competitors with better sustainability performance	• Actively respond to China's call for "dual carbon", actively communicate with stakeholders to set and disclose emission reduction targets

We are fully aware of the urgency of climate change's impact, that climate change is ongoing and climate action must be done without delay. We actively engaged in environmental campaigns and climate change training to raise climate change awareness among our employees and management; externally, we focused our climate action on regions most affected by climate change to address the pressing needs in those regions.

Case study: Planting a tree – "My Poplar Forest"

We understand that Jinta County, Gansu Province has been deeply affected by climate change and is one of the most severely desertified and sand-damaged areas in the country.

We supported the "My Poplar Forest" project initiated by the China Green Foundation and planted 142 Euphrates poplar in the area, creating a natural barrier for the oasis. We believe that planting more trees to absorb atmospheric carbon dioxide is an effective and desirable way to combat global warming. After estimation, we expect that the Euphrates poplars will absorb an average of 260 tonnes of carbon dioxide per year.

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Case study: Climate Action Week – "Cool Trivia and Heated Action"

The Group launched the "Climate Action Week - Cool Trivia and Heated Action" campaign from 22 September 2022 to understand and disseminate knowledge on climate change under the advocacy of WWF. We expect this to raise awareness and understanding of carbon neutrality among our employees and management, and for them to gain motivation to participate in achieving carbon neutrality.

▲ Photo credit: World Wide Fund for Nature (WWF)

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7.2 Creating Green Office

Activation strictly complies 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 Water Pollution Prevention and Control 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 the relevant environmental laws and regulations in places where our business operates. We rigorously control the generation and discharge of air pollutants and wastes to ensure that the operation and management of the Group do not violate relevant environmental laws and regulations.

As the Group's main operating site, the office has no significant impact on the environment and natural resources. The Group continuously strives to effectively reduce resource consumption and pollutant emissions, as well as allocate resources to improve energy efficiency, reduce paper use, implement waste reduction and recycling and low-carbon transportation, etc., and also focus on raising employees' awareness of environmental protection. We actively advocate a sustainable green office policy, and have formulated the Corporate Environmental Protection Policy (《企業環保政策》) and the Quality and Environment Management Manual (《質量環境管理手冊》). During the Year, the Group's headquarters obtained the ISO14001 Environment Management Systems certification, indicating that the Company has established a complete environment management system in terms of environmental approaches, management structure and management plan.

During the year under review, the Group was not aware of any non-compliance with environmental laws and regulations.

Waste Management

We aim to develop a corporate culture in which all employees participate in the prevention of solid waste pollution by cultivating green lifestyles and consumption habits, eliminating waste from the source, and enhancing resource utilization. Therefore, we actively promote reusable habits among our staff, such as bringing their own cups and avoiding the use of paper cups.

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We understand that comprehensive waste categorization is a core element in establishing effective waste management. Apart from cultivating the habit of waste reduction at source among our employees, we also promote the implementation of domestic waste separation habits among our staff to achieve waste reduction, resourcefulness and harmless treatment. We have established the Waste Control Procedures (《廢棄物控制程序》), which sets out clear rules for the separation, collection, storage and disposal of waste generated in the course of daily operations, and we expect to achieve the following results:

✓ Improving efficiency: Categorize the wastes that requires special treatment and send them to qualified recyclers and recycling sites for recycling
✓ Saving land resources: Segregate recyclable materials to save space in community landfills
✓ Reducing environmental pollution: Garbage sorting can reduce environmental pollution by centralized treatment of hazardous waste that is not readily degradable and contains chemical substances.
✓ Turning waste into wealth: Encourage employees to reuse waste in various ways by holding recycling activities, such as waste paper craft competition, from time to time

In addition, we were prudent in handling hazardous waste, including printers and electronic products (including waste ink and toner cartridges), and arranged our rental company for recycling, thus there was no irregular disposal of hazardous waste. In the event of an emergency in waste storage, we will take action according to the "Emergency Response Plan and Response Control Procedures".

During the Year, no packaging materials were generated within the Group. In addition, our waste reduction target and progress are as follows:

Target	Maintain or gradually reduce waste intensity compared to 2021.
Progress	During the Year, a total of 14.20 tonnes of non-hazardous waste was generated while a total of 7.20 tonnes of non-hazardous waste was recycled with an average of 0.05 tonnes of non-hazardous waste intensity per employee, representing a decrease compared to 2021.

Paper Management

As paper is a major resource consumed in office operations, we are committed to using paper wisely and reducing the amount of waste paper generated. The Group has piloted a Green Paper Initiative, which provides recommendations on the use of paper and printing specifications for different paper types, as detailed in the following initiatives:

- Defaulting to double-sided printing and ink-saving mode when using computers;
- Encouraging employees to prioritise the use of electronic documents to transmit information in lieu of unnecessary paper documents;
- Advising employees to use double-sided printing in black and white and to use smaller fonts and line spacing.

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The Group has established a paperless office and we have fully implemented an office automation system to avoid unnecessary paper usage due to redundant work processes. At the same time, we closely monitor and regularly count paper consumption, as well as regularly review the effectiveness of our paperless office initiatives.

During the Reporting Period, a total of 1,634.00 kg of paper was consumed by the Group, with an average of 6.26 kg per employee, representing a decrease compared to last year[5].

Energy Consumption Management

We are committed to seeking a more environmentally friendly and efficient operation model. We have established the Energy Conservation Control Procedure (《能源資源節約控制程序》) to control the various factors affecting energy resource conservation in our business processes and office areas to ensure the proper use of energy.

We have properly arranged for energy management and energy saving and consumption reduction, and formulated energy saving plans and measures according to actual conditions. If energy resources are required during the course of business, we require relevant departments to be equipped with professional energy resource management personnel to ensure the effective management of business energy resources and the normal operation of business. At the same time, we actively promote the application of new materials, technologies, techniques and equipment to gradually improve the effect of environmental protection and energy conservation and enhance the comprehensive energy utilisation capacity.

The energy involved in the Group's daily operations is mainly electricity, while office equipment is the Group's main source of energy consumption. We have strengthened our management on air conditioning, lighting system and electronic devices as detailed in the following initiatives:

Air conditioning management	• Using air-conditioning with a Grade 1 energy label; • Using variable refrigerant flow control to optimize the refrigerant flow; • Avoiding installing air conditioners in locations where the sun hits directly, and using anti-UV and heat-insulation films on windows; • Continuously monitoring indoor air quality, including indoor humidity, temperature and ventilation, through a central control system to adjust to the appropriate indoor temperature; • Allowing employees to wear casual clothing at work when they are not required to meet clients, so as to reduce the use of air conditioners.

5 Due to the pandemic, the Group implemented work from home during the Year, resulting in a decrease in paper consumption.

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Electronic devices management	• Considering electronic devices and electrical appliances with China Certificate for Energy Conservation Product (國家節能產品認證) when purchasing electronic products; • Cultivating good habits for employees in using electronic devices in office, including turning off the power or turning on the power saving mode when the electronic device is not in use, and turning off electronic devices before holidays and during non-working hours to reduce unnecessary energy wastage.
Lighting system management	• Using high-energy-efficient lamps; • Relying on sunlight to mainly maintain brightness; • Dividing different lighting zones in our office and installing independently controlled lighting switches and sensors, such that the lights in working areas not frequently used will only be turned on when people enter such areas; • Reducing the number of lights in areas where lighting is not highly demanded and regularly inspecting office lighting installations to ensure proper functioning and maximise their energy efficiency.

Our energy efficiency targets and progress are as follows:

Target	Maintain or gradually reduce electricity consumption compared to 2019.
Progress	During the Year, our total electricity consumption was 269,408.00 kWh, representing a decrease compared to 2019.

Emissions Management and Resource Consumption

We recognise that GHG emissions are closely linked to climate change impact. To contribute and respond to climate change, we actively practise low-carbon operations and minimise our carbon footprint in our operations. GHG emissions of the Group is mainly derived from electricity use in office and the Company's vehicle emissions. 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 stipulated by the International Organization for Standardization, we conducted GHG emissions inventory for the Group's headquarters in Shanghai and its offices in Beijing and Hong Kong.

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Our GHG emission targets and progress are as follows:

Target	Maintain or gradually reduce GHG emissions compared to 2019.
Progress	During the Year, a total of 174.81 tonnes of CO_2e of GHG emissions was generated with an average of 0.67 tonnes of CO_2e of GHG emission intensity per employee, represent a decrease compared to 2019. Apart from GHG, our emissions are generated by vehicles emitted 4.41 kg of nitrogen oxides (NO_X), 0.09 kg of Sulphur oxides (SO_X) and 0.32 kg of particulate matter (PM)[6].

To achieve our goals, we adopted green operation and promoted low-carbon transportation as our main strategies. In promoting low-carbon transportation, we started with daily transportation by fleet maintenance on a regular basis, no idling vehicles running their engines, and low-carbon driving training provided for drivers. Meanwhile, we encouraged employees to take public transportation and advocated carpooling to reduce car usage.

Water Resource Management

Our main source of water discharge is domestic sewage and the sewage generated thereof will be discharged to the urban sewage treatment plant through municipal sewage pipe network for treatment and discharge. As our water is derived from municipal water supply, the Group has no problem in obtaining water source during its operation.

Our water efficiency target and progress are as follows:

Target	Maintain or gradually reduce water consumption compared to 2019.
Progress	During the Reporting Period, our total water consumption was 531.00 tonnes, representing an increase compared to 2019[7].

To achieve our goal, we have adopted a series of optimisation measures for water resources and installed water-saving sensor faucets and toilets in line with national standards. To avoid the water-wasting phenomenon of "Water Flowing for a Long Time", we regularly inspect and maintain water supply facilities and enhance routine maintenance and management on water supply facilities to reduce unnecessary waste of water. At the same time, we also raise staff's awareness of saving water by putting water-saving slogans and promotional images within washrooms and toilets. In the future, the Group will continue to review the progress of our goals set for environmental protection and continuously improve the implementation of our environmental policies and measures.

6 It is calculated based on the emission factor in the "Reporting Guidance on Environmental KPIs" set out in Appendix 2 of the Stock Exchange.

7 The Group has improved the office equipment by installing a shower room, a pantry and four washrooms, resulting in a reasonable increase in water consumption. In the coming year, we will closely monitor the progress of our water consumption target.

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Appendix 1: Sustainability Data Statement

Environmental[8]	Unit	2022
Emission Types[5]		
Nitrogen oxides (NO_x)	kg	4.41
Sulphur oxides (SO_x)	kg	0.09
Particulate matter (PM)	kg	0.32
GHG emissions		
Direct GHG emissions (Scope 1)[9]	tonnes of CO_2e	15.84
Indirect GHG emissions (Scope 2)[10]	tonnes of CO_2e	158.96
Total GHG emissions (Scope 1 and 2)	tonnes of CO_2e	174.81
GHG emissions intensity		
per square meter (Scope 1 and 2)	tonnes of CO_2e/m^2	0.10
per employee (Scope 1 and 2)	tonnes of CO_2e/employee	0.67
Energy consumption		
Total electricity consumption	kWh	269,408.00
Total electricity consumption intensity per square meter	kWh/m^2	160.59
Total electricity consumption intensity per employee	kWh/employee	1,032.21
Vehicle fuel consumption		
Gasoline consumption	liter	5,850.00
Water consumption		
Total water consumption	tonnes	531.00
Total water consumption intensity per square meter	tonnes/m^2	0.32
Total water consumption intensity per employee	tonnes/employee	2.03
Non-hazardous wastes		
Total amount of non-hazardous wastes	tonnes	14.20
Non-hazardous waste intensity per employee	tonnes/employee	0.05
Paper consumption		
Total paper consumption	kg	1,634.00
Average paper consumption (per employee)	kg/employee	6.26
Hazardous wastes		
Batteries	piece	85
Waste ink cartridge and toner cartridge	piece	15

8 The collection scope of the environmental aspect covered the headquarters in Shanghai, and the offices in Beijing and Hong Kong

9 Scope 1: GHG emissions generated from all sources owned and controlled by the Group, including use of fuel of the Group's vehicles.

10 Scope 2: GHG emissions caused by power generation, heating and cooling or steam purchased by the Group externally, including electricity use during the operation of the Group.

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Social[11]	Unit	2022
Total number of employees	No. of people	261
Total number of employees (by gender)		
Female employees	No. of people	159
Male employees	No. of people	102
Total number of employees (by employment type[2])		
Full-time junior employees	No. of people	140
Full-time middle management	No. of people	107
Full-time senior management	No. of people	14
Total number of employees (by age group)		
Employees aged under 30	No. of people	122
Employees aged between 30-50	No. of people	131
Employees aged above 50	No. of people	8
Total number of employees (by geographical region[3])		
Employees in Beijing	No. of people	47
Employees in Shanghai	No. of people	202
Employees in other regions, including Hong Kong, Macau and Taiwan	No. of people	12
Total number of employees (by nationality)		
From Hong Kong, Macau and Taiwan	No. of people	19
From China	No. of people	238
From foreign nationality[12]	No. of people	4
Total number of employees (by education)		
Associate degree or below	No. of people	54
Bachelor degree	No. of people	152
Master degree	No. of people	55
Turnover rate[13]		
Total employee turnover rate	%	33.25

11 The collection scope of social aspect covered the Group

12 During the Year, the foreign employees of the Group include 1 from Spain, 1 from the Philippines and 2 from Malaysia

13 The calculation of the employee turnover rate of the Group excludes resigned employees who do not pass the probation. Turnover rate = number of employees turnover ÷ annual number of employees × 100%

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Social[11]	Unit	2022
Staff turnover rate[13] (by gender)		
Female employees	%	36.65
Male employees	%	27.14
Staff turnover rate[13] (by age group)		
Employees aged under 30	%	39.60
Employees aged between 30-50	%	26.82
Employees aged above 50	%	20.00
Staff turnover rate[13] (by geographical region)[3]		
Employees in Beijing	%	22.95
Employees in Shanghai	%	35.67
Employees in other regions, including Hong Kong, Macau and Taiwan	%	25.00
The percentage of employees trained[4] (by gender)		
Female employees	%	79.87
Male employees	%	79.41
The percentage of employees trained[4] (by employment type[2])		
Full-time junior employees	%	80.00
Full-time middle management	%	79.44
Full-time senior management	%	78.57
Average training hours (by gender)		
Female employees	Hour	4.00
Male employees	Hour	4.00
Average training hours (by employment type[3])		
Full-time junior employees	Hour	4.00
Full-time middle management	Hour	4.00
Full-time senior management	Hour	4.00
Occupational health and safety		
Number of work-related fatalities occurred in each of the past three years including the reporting year	No. of people	0
Rate of work-related fatalities occurred in each of the past three years including the reporting year	%	0
Lost days due to work injury	Day	0

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Appendix 2: Index to the ESG Reporting Guide of the Stock Exchange

Indicators			Related Chapters
A. Environmental			
A1: Emissions	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 exhaust gas and GHG emissions, discharges into water and land, and generation of hazardous and nonhazardous waste.	7.2 Creating Green Office
	A1.1	The types of emissions and respective emissions data.	7.2 Creating Green Office Appendix 1: Sustainability Data Statement
	A1.2	Direct (Scope 1) and energy direct (Scope 2) GHG emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.2 Creating Green Office Appendix 1: Sustainability Data Statement
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.2 Creating Green Office Appendix 1: Sustainability Data Statement
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.2 Creating Green Office Appendix 1: Sustainability Data Statement
	A1.5	Description of emission targets and steps taken to achieve them.	7.2 Creating Green Office
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and description of waste reduction targets and steps taken to achieve them.	7.2 Creating Green Office

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Indicators			Related Chapters
A2: Use of resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7.2 Creating Green Office
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	7.2 Creating Green Office Appendix 1: Sustainability Data Statement
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	7.2 Creating Green Office Appendix 1: Sustainability Data Statement
	A2.3	Description of energy use efficiency targets and steps taken to achieve them.	7.2 Creating Green Office
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency targets and steps taken to achieve them.	7.2 Creating Green Office
	A2.5	Total packaging material used for finished products (in tonnes) and, where appropriate, per unit produced.	Not applicable, the business of the Group does not involve production
A3: Environment and Natural resources	General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources	7.2 Creating Green Office
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7.2 Creating Green Office
A4: Climate change	General Disclosure	Policies on identifying and responding to significant climate-related issues that have and may have an impact on the issuer.	7.1 Responding to Climate Change
	A4.1	Description of material climate-related issues that have and may have an impact on the issuer, and actions taken to manage them.	7.1 Responding to Climate Change

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Indicators			Related Chapters
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, antidiscrimination, and other benefits and welfare.	5.1 Optimising Employment Management
	B1.1	Total workforce by gender, employment type (e.g. full time or part time), age group and geographical region.	5.1 Optimising Employment Management Appendix 1: Sustainability Data Statement
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix 1: Sustainability Data Statement
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.	5.3 Occupational Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	5.3 Occupational Health and Safety Appendix 1: Sustainability Data Statement
	B2.2	Lost days due to work injury.	Appendix 1: Sustainability Data Statement
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	5.3 Occupational Health and Safety

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Indicators			Related Chapters
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.2 Employee Growth and Development
	B3.1	The percentage of employees trained by gender and employee category (e.g senior management, middle management).	5.2 Employee Growth and Development Appendix 1: Sustainability Data Statement
	B3.2	The average training hours completed per employee by gender and employee category.	5.2 Employee Growth and Development Appendix 1: Sustainability Data Statement
B4: Labour guidelines	B4	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.	5.1 Optimising Employment Management
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1 Optimising Employment Management
	B4.2	Description of steps taken to eliminate such practices when discovered.	5.1 Optimising Employment Management
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	4.2 Supply Chain Management
	B5.1	Number of suppliers by geographical region.	4.2 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.	4.2 Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	4.2 Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	4.2 Supply Chain Management

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Indicators			Related Chapters
B6: Product liability	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.	3.1 Focus on Service Quality 3.2 Advertising and Customer Management 3.3 Health and Safety of Services 4.3 Safeguarding Information Security
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	3.1 Focus on Service Quality
	B6.2	Number of products and services related complaints received and how they are dealt with.	3.2 Advertising and Customer Management
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	4.3 Safeguarding Information Security
	B6.4	Description of quality assurance process and recall procedures.	3.1 Focus on Service Quality
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	4.3 Safeguarding Information Security
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.	4.1 Implementing Integrity in Operation
	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	4.1 Implementing Integrity in Operation
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	4.1 Implementing Integrity in Operation
	B7.3	Description of anti-corruption training provided to directors and staff.	4.1 Implementing Integrity in Operation

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Indicators			Related Chapters
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.	6. Giving Back to Society
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6. Giving Back to Society
	B8.2	Resources contributed to the focus area.	6. Giving Back to Society

INDEPENDENT AUDITOR'S REPORT

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 108 to 190, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 2022, the Group recorded trade receivables of RMB318,348,000 before a loss allowance of RMB9,489,000, representing approximately 43.4% of the total assets of the Group. The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. Significant management judgement and estimation are required in assessing the ECLs for the trade receivables, with reference to the groupings of various customer segments, with similar loss patterns, 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 21 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 2022, the Group had goodwill acquired through business combinations allocated to the experiential marketing cash-generating unit ("**CGU**") and the digital 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 the carrying amounts. For the year under review, the recoverable amounts of the respective CGUs have been determined based on value in use calculations using cash flow projections specific to each CGU and applying a discount rate which reflects specific risks relating to the CGU.	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 magnitude of the balance involved and the significant management estimation required on the expected future developments of the CGUs. The Group's disclosures of estimation uncertainty and impairment assessment of goodwill are included in notes 3 and 15, respectively, to the consolidated financial statements.	• we involved our internal valuation specialists to assist us in evaluating the methodologies used and certain key assumptions and estimates made by management, including, among others, the specific discount rates and long term growth rates, with reference to the relevant historical/market information; • we evaluated management's assessment about reasonable possible changes in the relevant key assumptions and estimates; and • we evaluated the adequacy of the related disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

- 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 eliminate 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
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

8 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**694,807**	904,057
Cost of sales		**(492,566)**	(636,774)
Gross profit		**202,241**	267,283
Other income and gains	5	**16,263**	12,661
Selling and distribution expenses		**(86,423)**	(85,870)
General and administrative expenses		**(65,698)**	(42,630)
Other expenses, net		**(10,480)**	(2,385)
Finance costs	7	**(526)**	(613)
Share of profits and losses of associates and joint venture		**321**	(3,818)
PROFIT BEFORE TAX	6	**55,698**	144,628
Income tax expense	10	**(27,454)**	(42,074)
PROFIT FOR THE YEAR		**28,244**	102,554
Attributable to:			
Owners of the parent		**23,632**	92,488
Non-controlling interests		**4,612**	10,066
		28,244	102,554
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted *(RMB cents)*		**3.21**	12.51

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 *RMB'000*	2021 *RMB'000*
PROFIT FOR THE YEAR	**28,244**	102,554
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income		
Change in fair value	**(736)**	3,985
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**3,155**	(3,932)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**2,419**	53
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**30,663**	102,607
Attributable to:		
Owners of the parent	**26,051**	92,541
Non-controlling interests	**4,612**	10,066
	30,663	102,607

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**6,421**	5,299
Right-of-use assets	14	**8,246**	8,518
Goodwill	15	**10,233**	10,233
Intangible assets	16	**309**	426
Investment in a joint venture	17	**—**	—
Investment in an associate	18	**908**	—
Investments at fair value through other comprehensive income	19	**42,344**	19,998
Investment at fair value through profit or loss	20	**16,354**	—
Deposits	22	**701**	—
Deferred tax assets	26	**358**	1,085
Total non-current assets		**85,874**	45,559
CURRENT ASSETS			
Trade receivables	21	**308,859**	231,692
Prepayments, deposits and other receivables	22	**15,579**	32,511
Pledged bank deposits	23	**665**	665
Cash and cash equivalents	23	**300,269**	405,817
Total current assets		**625,372**	670,685
CURRENT LIABILITIES			
Trade payables	24	**289,595**	221,755
Other payables and accruals	25	**41,631**	34,377
Lease liabilities	14	**3,123**	1,465
Tax payable		**13,382**	21,757
Total current liabilities		**347,731**	279,354
NET CURRENT ASSETS		**277,641**	391,331
TOTAL ASSETS LESS CURRENT LIABILITIES		**363,515**	436,890
NON-CURRENT LIABILITIES			
Lease liabilities	14	**6,475**	7,273
Deferred tax liabilities	26	**3,450**	203
Total non-current liabilities		**9,925**	7,476
Net assets		**353,590**	429,414

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	27	**659**	667
Reserves	29	**335,650**	405,648
		336,309	406,315
Non-controlling interests		**17,281**	23,099
Total equity		**353,590**	429,414

Lau Kam Yiu
Director

Ng Bo Sing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	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)*	Fair value reserve of financial asset at fair value through other comprehensive income *RMB'000*	Capital reserve *RMB'000* *(note 29)*	Statutory reserve *RMB'000* *(note 29)*	Capital redemption reserve *RMB'000* *(note 29)*	Exchange fluctuation reserve *RMB'000* *(note 29)*	Shares 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 2021	674	266,833	(643)	(22,753)	–	14,023	25,093	39,256	(7,932)	(22,140)	67,518	359,929	12,908	372,837
Profit for the year	–	–	–	–	–	–	–	–	–	–	92,488	92,488	10,066	102,554
Other comprehensive income for the year:														
Change in fair value of equity investment at fair value through other comprehensive income, net of tax	–	–	–	–	3,985	–	–	–	–	–	–	3,985	–	3,985
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	(3,932)	–	–	(3,932)	–	(3,932)
Total comprehensive income for the year	–	–	–	–	3,985	–	–	–	(3,932)	–	92,488	92,541	10,066	102,607
Change in ownership interest of a subsidiary	–	–	–	–	–	–	–	–	–	–	(45)	(45)	125	80
Share repurchased and cancelled	(7)	(14,479)	643	–	–	–	–	8,006	–	–	–	(5,837)	–	(5,837)
Refund from purchase of shares held-under Share Award Scheme	–	–	–	–	–	–	–	–	–	9,616	–	9,616	–	9,616
Dividend paid	–	–	–	(24,944)	–	–	–	(24,945)	–	–	–	(49,889)	–	(49,889)
Transfer from retained profits	–	–	–	–	–	–	11,297	–	–	–	(11,297)	–	–	–
At 31 December 2021	667	252,354	–	(47,697)	3,985	14,023	36,390	22,317	(11,864)	(12,524)	148,664	406,315	23,099	429,414

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the parent														
	Issued capital RMB'000 (note 27)	Share premium RMB'000 (note 27)	Treasury share RMB'000 (note 27)	Other reserve RMB'000 (note 29)	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Capital reserve RMB'000 (note 29)	Statutory reserve RMB'000 (note 29)	Capital redemption reserve RMB'000 (note 29)	Exchange fluctuation reserve RMB'000 (note 29)	Share held under Share Award Scheme RMB'000 (note 28)	Share-based payment reserve RMB'000 (note 28)	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2022	667	252,354	–	(47,697)	3,985	14,023	36,390	22,317	(11,864)	(12,524)	–	148,664	406,315	23,099	429,414
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	23,632	23,632	4,612	28,244
Other comprehensive income for the year:															
Change in fair value of equity investment at fair value through other comprehensive income, net of tax	–	–	–	–	(736)	–	–	–	–	–	–	–	(736)	–	(736)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	3,155	–	–	–	3,155	–	3,155
Total comprehensive income for the year	–	–	–	–	(736)	–	–	–	3,155	–	–	23,632	26,051	4,612	30,663
Share repurchased and cancelled	(8)	(16,049)	–	–	–	–	–	5,866	–	–	–	–	(10,191)	–	(10,191)
Share award arrangement	–	–	–	–	–	–	–	–	–	–	18,617	–	18,617	–	18,617
Vesting of shares held under the Share Award Scheme	–	–	–	–	–	–	–	–	–	16,001	(18,617)	2,616	–	–	–
Purchases of shares under Share Award Scheme	–	–	–	–	–	–	–	–	–	(13,682)	–	–	(13,682)	–	(13,682)
Dividends	–	(53,764)	–	(10,777)	–	–	–	(6,435)	–	–	–	(19,825)	(90,801)	–	(90,801)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	(10,430)	(10,430)
Transfer from retained profits	–	–	–	–	–	–	898	–	–	–	–	(898)	–	–	–
At 31 December 2022	659	182,541*	–*	(58,474)*	3,249*	14,023*	37,288*	21,748*	(8,709)*	(10,205)*	–*	154,189*	336,309	17,281	373,590

* These reserve accounts comprise the consolidated reserves of RMB335,650,000 (2021: RMB405,648,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	**2022** **RMB'000**	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**55,698**	144,628
Adjustments for:			
Finance costs	*7*	**526**	613
Share of losses of a joint venture		**—**	876
Share of profits and losses of an associate		**(321)**	2,942
Interest income	*5*	**(1,696)**	(1,675)
Covid-19-related rent concessions from lessors	*14*	**—**	(300)
Depreciation of property, plant and equipment	*6*	**2,063**	811
Depreciation of right-of-use assets	*6*	**2,937**	5,256
Impairment of a joint venture	*6*	**334**	—
Amortisation of intangible assets	*6*	**123**	130
Impairment of trade receivables	*6*	**8,963**	1,424
Gain on deregistration of a subsidiary	*5*	**—**	(704)
Gain on deregistration of an associate	*5*	**—**	(216)
Write-off of intangible asset		**90**	—
Share-based payment expenses	*6*	**18,617**	—
Fair value loss of financial asset at fair value through profit or loss	*6*	**329**	—
		87,663	153,785
Increase in trade receivables		**(86,130)**	(10,414)
Increase/(decrease) in prepayments, deposits and other receivables		**16,231**	(1,442)
Increase in trade payables		**67,840**	78,296
Increase/(decrease) in other payables and accruals		**7,252**	(10,936)
Cash generated from operations		**92,856**	209,289
Taxes paid		**(31,855)**	(33,926)
Net cash flows from operating activities		**61,001**	175,363
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,696**	1,675
Purchases of items of property, plant and equipment		**(3,184)**	(4,252)
Purchases of financial asset at fair value through profit or loss		**(16,202)**	—
Purchases of equity investment at fair value through other comprehensive income		**(20,000)**	—
Investment in an associate		**(588)**	—
Advance of loan to a joint venture		**(334)**	—
Purchases of intangible assets		**(96)**	(205)
Proceeds from disposal of property, plant and equipment		**1**	22
Proceeds from deregistration of a subsidiary		**—**	704
Proceeds from deregistration of an associate		**—**	2,403
Net cash flows from/(used) in investing activities		**(38,707)**	347

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	**2022** **RMB'000**	2021 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(90,801)**	(49,889)
Increase in equity investment at fair value through other comprehensive income		**—**	(16,013)
Dividends paid to non-controlling shareholders		**(10,430)**	—
Share repurchases and cancellation		**(10,191)**	(5,837)
Changes in shares under the Share Award Scheme		**—**	9,616
Purchases of shares held under the Share Award Scheme		**(13,682)**	—
Increase in investment in joint venture		**—**	(720)
Change in ownership interest in a subsidiary		**—**	78
Principal portion of lease payments	*14*	**(1,805)**	(5,530)
Interest portion of lease payment		**(526)**	(613)
Net cash flows used in financing activities		**(127,435)**	(68,908)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(105,141)**	106,802
Cash and cash equivalents at beginning of year		**405,817**	302,935
Effect of foreign exchange rate changes, net		**(407)**	(3,920)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**300,269**	405,817
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**300,269**	365,755
Non-pledged time deposits with original maturity of less than three months when acquired		**—**	40,062
Cash and cash equivalents as stated in the statement of financial position		**300,269**	405,817

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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 2022, the Company's subsidiaries were involved in the following principal activities:

- provision of experiential marketing services;
- provision of digital and communication services; and
- IP development — management and operation of sports events

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 Marketing Limited	Hong Kong	HK$1,000	—	100.0	Provision of experiential marketing services
Activation International (UK) Limited	British Virgin Islands	United States dollar ("US$") 1	—	100	Inactive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company *Direct*	*Indirect*	Principal activities
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 service
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	Management and operation of sport events
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 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 sport 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(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 上海艾望網絡科技有限公司 *(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 *(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 communication services
Hangzhou Vision Aide Media Technology Co., Limited 願景艾德(杭州)傳媒科技有限公司 *(note (i))**	PRC/ Mainland China	RMB10,000,000	—	47.4	Provision of digital and communication services
Target Gain International Limited	British Virgin Islands	US$1	—	100	Investment holdings

* 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.

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1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

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.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investments at fair value through other comprehensive income and investment at fair value through profit or loss 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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control.

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.

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2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 3 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* (the "**Conceptual Framework**") 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) 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 as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *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 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. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease liability in a Sale and Leasebackt*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1,5]
Amendments to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

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

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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

5 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

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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

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 resulting from a downstream transaction 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after 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. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The amendments are effective for annual periods beginning on or after 1 January 2024 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 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. 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 2022

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

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in an associate 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 an associate 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 an associate 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 associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of the associate is included as part of the Group's investment in the associate.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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.

Fair value measurement

The Group measures certain of its financial asset at fair value through profit or loss and financial assets at fair value through other comprehensive income 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 2022

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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 $33\frac{1}{3}$%
Furniture, fixtures and equipment	$33\frac{1}{3}$%
Computer equipment	$33\frac{1}{3}$%
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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(b) Lease liabilities

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

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

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.

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 designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Financial assets designated at fair value through other comprehensive income (equity investments) (continued)

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are 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, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

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 that there has been significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 365 days past due. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group's credit risk control practices and the historical recovery rate of financial assets over 90 days past due. However, 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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.

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, an associate and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries, an associate and a joint venture, 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 2022

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

Government grants

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

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

Revenue from contracts with customers

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Experiential marketing services

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

Digital and communication services

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

As the Group takes primary responsibility for the digital and communication services, 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) *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.

(b) *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 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

IP Development

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 2022

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.

Share-based payments

The Company operates two equity-settled, share-based compensation schemes including a share option scheme and a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees of the Group (including directors of the entities comprising the Group) receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification, that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options and unvested shares held under the restricted share award scheme is reflected as additional share dilution in the computation of earnings per share.

Dividends

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

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

Foreign currencies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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

vIn 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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

Estimation uncertainty *(Continued)*

Impairment of goodwill

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

Impairment of non-financial assets (other than goodwill)

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

Provision for expected credit losses on trade receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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) Experiential marketing services segment

(b) Digital and communication services segment

(c) 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 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 2022

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2022/At 31 December 2022

	Experiential marketing services *RMB'000*	Digital and communication services *RMB'000*	IP development *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*				
Sales to external customers	513,877	154,399	26,531	694,807
Segment results	76,099	17,139	(12,166)	81,072
Reconciliation:				
Corporate and other unallocated expenses, net				(26,544)
Interest income				1,696
Finance costs				(526)
Profit before tax				55,698
Segment assets	506,619	79,799	39,891	626,309
Reconciliation:				
Corporate and other unallocated assets				84,937
Total assets				711,246
Segment liabilities	240,581	33,006	46,937	320,524
Reconciliation:				
Corporate and other unallocated liabilities				37,132
Total liabilities				357,656
Other segment information				
Share of profit of an associate	(321)	—	—	(321)
Impairment of a joint venture	—	—	334	334
Depreciation and amortisation	1,614	554	18	2,186
Impairment of trade receivables, net	1,368	7,463	132	8,963
Capital expenditure*	2,857	423	—	3,280

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2021/At 31 December 2021

	Experiential marketing services *RMB'000*	Digital and communication services *RMB'000*	IP development *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*				
Sales to external customers	686,022	201,690	16,345	904,057
Segment results	121,501	30,943	627	153,071
Reconciliation:				
Corporate and other unallocated expenses, net				(7,903)
Interest income				73
Finance costs				(613)
Profit before tax				144,628
Segment assets	429,321	140,351	30,779	600,451
Reconciliation:				
Corporate and other unallocated assets				115,793
Total assets				716,244
Segment liabilities	211,704	29,953	5,313	246,970
Reconciliation:				
Corporate and other unallocated liabilities				39,860
Total liabilities				286,830
Other segment information				
Share of losses of an associate and a joint venture	2,942	—	876	3,818
Depreciation and amortisation	412	505	24	941
Impairment of trade receivables, net	807	437	180	1,424
Capital expenditure*	3,684	773	—	4,457

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2022 RMB'000	2021 RMB'000
Mainland China	**669,619**	852,162
Hong Kong/Singapore	**25,188**	51,895
	694,807	904,057

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

(b) Non-current assets

	2022 RMB'000	2021 RMB'000
Mainland China	**18,572**	15,958
Hong Kong/Singapore	**16,354**	—
	34,926	15,958

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets, investments at fair value through other comprehensive income and right-of-use assets.

Information about major customers

Revenue derived from sales to an external customer by the experiential marketing services and digital and communication services segment contributing over 10% to the total revenue of the Group for the years ended 31 December 2022 and 2021 is as follows:

	2022 RMB'000	2021 RMB'000
Customer A	**198,040**	235,466
Customer B	**64,694**	93,783

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

* Contributing less than 10% to the total revenue of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers		
Major service lines		
Experiential marketing services	**513,877**	686,022
Digital and communication services	**154,399**	201,690
IP development	**26,531**	16,345
	694,807	904,057

(i) Disaggregated revenue information

	2022 RMB'000	2021 RMB'000
Geographical locations		
Experiential marketing services		
Mainland China	**489,493**	634,127
Hong Kong/Singapore	**24,384**	51,895
	513,877	686,022
Digital and communication services		
Mainland China	**153,595**	201,690
Hong Kong/Singapore	**804**	—
	154,399	201,690
IP development		
Mainland China	**26,531**	16,345
Total revenue from contracts with customers	**694,807**	904,057
Timing of revenue recognition		
At a point in time	**548,907**	726,600
Over time*	**145,900**	177,457
Total revenue from contracts with customers	**694,807**	904,057

* Included projects in retainer basis

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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:

	2022	2021
	RMB'000	*RMB'000*
Experiential marketing services	**872**	8,863
Digital and communication	**1,155**	4
IP development	**—**	2,843
	2,027	11,710

(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 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 2022

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

An analysis of other income and gains is as follows:

	2022	2021
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**1,696**	1,675
Government subsidies*	**10,651**	6,977
Gain on deregistration of a subsidiary	**—**	704
Gain on deregistration of an associate	**—**	216
Others	**3,916**	3,089
	16,263	12,661

* The government subsidies mainly represented subsidies received by certain subsidiaries of the Group 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 Hong Kong Special Administrative Region. There were no unfulfilled conditions or contingencies relating to these government subsidies.

6. PROFIT BEFORE TAX

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

		2022	2021
	Notes	***RMB'000***	*RMB'000*
Cost of services rendered		**492,566**	636,774
Depreciation of property, plant and equipment**	*13*	**2,063**	811
Depreciation of right-of-use assets**	*14*	**2,937**	5,256
Amortisation of intangible assets**	*16*	**123**	130
Auditor's remuneration		**1,800**	1,600
Lease payments not included in the measurement of lease liabilities	*14*	**3,298**	819
Employee benefit expense (including directors' and chief executive's remuneration *(note 8)*):			
Wages, salaries, bonuses and allowances		**88,441**	87,731
Share-based payment expenses		**18,617**	—
Pension scheme contributions (defined contribution schemes)***		**3,695**	3,632
		110,753	91,363
Fair value loss of financial asset at fair value through Profit or loss*		**329**	—
Impairment of trade receivables, net*	*21*	**8,963**	1,424
Impairment of a joint venture		**334**	—
Write-off of intangible asset		**90**	—
Foreign exchange differences, net		**89**	242

* 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.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

7. FINANCE COSTS

	Note	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	14	**526**	613

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:

	2022 RMB'000	2021 RMB'000
Fees	**474**	447
Other emoluments:		
Salaries, bonuses and allowances	**6,283**	5,886
Share-based payment expenses*	**18,617**	—
Pension scheme contributions	**378**	345
	25,278	6,231
	25,752	6,678

* During the year, certain directors were awarded shares of the Company in respect of their services to the Group under the share award scheme of the Company, further details of which are set out in note 28 to the financial statements. The fair value of such awarded shares, which has been rcognised in the statement of profit or loss was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosure.

(a) Independent non-executive directors

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

	2022 RMB'000	2021 RMB'000
Ms. Cheung	**158**	149
Mr. Yu	**158**	149
Dr. Cheung	**158**	149
	474	447

The fee of each independent non-executive director is equivalent to HK$180,000 for both years.

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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 *RMB'000*	Discretionary bonuses *RMB'000*	Share-based payment expenses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Year ended 31 December 2022					
Mr. Ng	**1,493**	**—**	**—**	**126**	**1,619**
Mr. Lau*	**1,560**	**—**	**3,843**	**114**	**5,517**
Mr. Chan	**1,311**	**160**	**7,387**	**114**	**8,972**
Ms. Low	**1,607**	**152**	**7,387**	**24**	**9,170**
	5,971	**312**	**18,617**	**378**	**25,278**
Year ended 31 December 2021					
Mr. Ng	1,367	117	—	115	1,599
Mr. Lau*	1,424	154	—	104	1,682
Mr. Chan	1,197	87	—	104	1,388
Ms. Low	1,480	60	—	22	1,562
	5,468	418	—	345	6,231

* Chief executive officer of the Group

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 (2021: Nil).

There was no arrangement under which a director or a chief executive waived or agreed to waive any remuneration during the year (2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included four directors (2021: 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:

	2022	2021
	RMB'000	*RMB'000*
Salaries, allowances and discretionary bonuses	**1,420**	1,674
Discretionary bonuses	**—**	34
Pension scheme contributions (defined contribution schemes)	**16**	15
	1,436	1,723

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

	2022	2021
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**	1
HK$2,000,001 to HK$2,500,000	**—**	—
	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% (2021: 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% (2021: 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% (2021: 17%) on the estimated assessable profits arising in Singapore during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

10. INCOME TAX *(Continued)*

	2022	2021
	RMB'000	*RMB'000*
Current — PRC		
Charge for the year	**23,396**	39,714
Underprovision in prior year	**10**	2,915
Current — Hong Kong/Singapore		
Underprovision in prior year	**74**	—
Deferred *(note 26)*	**3,974**	(555)
Total tax charge for the year	**27,454**	42,074

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:

	2022	2021
	RMB'000	*RMB'000*
Profit before tax	**55,698**	144,628
Tax at the PRC statutory tax rate of 25%	**13,925**	36,157
Lower tax rates enacted by overseas authorities	**(255)**	737
Effect of withholding tax at 5% on the distributable profit of the Group's PRC subsidiaries	**7,484**	—
Adjustments in respect of current tax of previous period	**84**	2,915
Income not subject to tax	**(728)**	(111)
Expenses not deductible for tax	**5,045**	2,825
Tax losses not recognised	**2,374**	459
Tax losses utilised from previous periods	**(523)**	(912)
Others	**48**	4
Tax charge at the Group's effective tax rate	**27,454**	42,074

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

11. DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
Interim — nil (2021: HK1.03 cents) per ordinary share	**—**	6,455
Special — HK12.00 cents (2021: HK6.93 cents) per ordinary share	**76,896**	43,434
Proposed final — HK1.32 cents (2021: HK2.00 cents) per ordinary share	**8,455**	12,322
Proposed final special — HK9.38 cents (2021: nil) per ordinary share	**60,084**	—
	145,435	62,211

The proposed final dividend and final special dividend for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of the Company's ordinary shares of 735,333,000 (2021: 739,558,000) in issue during the year, as adjusted to exclude the shares held under the share award scheme of the Company.

No adjustment has been made to the basic earnings per share presented for the years ended 31 December 2022 and 2021 as the Group had no potentially dilutive ordinary shares in issue during those periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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 2022					
At 31 December 2021 and 1 January 2022:					
Cost	4,753	823	5,505	740	11,821
Accumulated depreciation	(642)	(720)	(4,447)	(713)	(6,522)
Net carrying amount	4,111	103	1,058	27	5,299
At 1 January 2022, net of accumulated depreciation	4,111	103	1,058	27	5,299
Additions	2,118	—	1,066	—	3,184
Disposal/write off	—	—	(1)	—	(1)
Depreciation provided for the year	(1,366)	(29)	(668)	—	(2,063)
Exchange realignment	—	—	2	—	2
At 31 December 2022, net of accumulated depreciation	4,863	74	1,457	27	6,421
At 31 December 2022:					
Cost	6,886	823	6,580	740	15,029
Accumulated depreciation	(2,023)	(749)	(5,123)	(713)	(8,608)
Net carrying amount	4,863	74	1,457	27	6,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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 2021					
At 31 December 2020 and 1 January 2021:					
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
At 1 January 2021, net of accumulated depreciation	641	118	1,095	27	1,881
Additions	3,594	33	625	—	4,252
Disposal/write off	—	(9)	(13)	—	(22)
Depreciation provided for the year	(124)	(39)	(648)	—	(811)
Exchange realignment	—	—	(1)	—	(1)
At 31 December 2021, net of accumulated depreciation	4,111	103	1,058	27	5,299
At 31 December 2021:					
Cost	4,753	823	5,505	740	11,821
Accumulated depreciation	(642)	(720)	(4,447)	(713)	(6,522)
Net carrying amount	4,111	103	1,058	27	5,299

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

14. LEASES

The Group as a lessee

The Group has lease contracts for various office 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:

	2022	2021
	RMB'000	*RMB'000*
At 1 January	**8,518**	12,948
Additions during the year	**2,660**	—
Lease modification	**—**	829
Depreciation provided for the year	**(2,937)**	(5,256)
Exchange realignment	**5**	(3)
At 31 December	**8,246**	8,518

(b) Lease liabilities

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

	2022	2021
	RMB'000	*RMB'000*
Carrying amount at 1 January	**8,738**	13,742
New leases	**2,660**	—
Leases modification	**—**	829
Accretion of interest recognised during the year	**526**	613
Payments	**(2,331)**	(6,143)
Covid-19-related rent concession from lessors	**—**	(300)
Exchange realignment	**5**	(3)
Carrying amount at 31 December	**9,598**	8,738
Analysed into:		
Current portion	**3,123**	1,465
Non-current portion	**6,475**	7,273

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

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

	2022	2021
	RMB'000	*RMB'000*
Interest on lease liabilities	**526**	613
Depreciation charge of right-of-use assets	**2,937**	5,256
Expense relating to short-term leases	**3,298**	819
Covid-19-related rent concessions from lessors	**—**	(300)
Total amount recognised in profit or loss	**6,761**	6,388

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

15. GOODWILL

	RMB'000
Cost and carrying amount at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	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 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 ranges from 17.7% to 18.5% (2021: from 18.0% to 18.9%) for the recoverable amount, which is determined by reference to the average rate for similar industries and the business risks of the relevant cash-generating unit. The growth rate used to extrapolate the cash flows of the experiential marketing cash-generating unit beyond the five-year period is 3% (2021: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

15. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Digital and communication cash-generating unit

The recoverable amount of the digital and 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 17.7% (2021: 17.8%) for the recoverable amount, which is determined by reference to the average rate for similar industries and the business risks of the relevant cash-generating unit. The growth rate used to extrapolate the cash flows of the digital and communication cash-generating unit beyond the five-year period is 3% (2021: 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:

	2022	2021
	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 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 communication cash-generating units for 31 December 2022 and 31 December 2021. 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 communication cash-generating unit are consistent with external information sources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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 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 2022	
Cost at 1 January 2022, net of accumulated amortisation	426
Additions	96
Write off	(90)
Amortisation provided during the year	(123)
At 31 December 2022	309
At 31 December 2022:	
Cost	1,161
Accumulated amortisation	(852)
Net carrying amount	309
31 December 2021	
Cost at 1 January 2021, net of accumulated amortisation	351
Additions	205
Amortisation provided during the year	(130)
At 31 December 2021	426
At 31 December 2021:	
Cost	1,163
Accumulated amortisation	(737)
Net carrying amount	426

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

17. INVESTMENT IN A JOINT VENTURE

	2022	2021
	RMB'000	*RMB'000*
Share of net assets	**—**	—
Loan to a joint venture	**334**	—
	334	—
Impairment *(note 6)*	**(334)**	—
	—	—

Particular of the Group's material joint venture is 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	Registered capital	PRC/ Mainland China	51% (2021: 51%)	Provision of application development services

* The English name of the company represent the best effort made by management of the Company to directly translate their Chinese name as they do 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.

The Group has discontinued the recognition of its share of losses of a joint venture Shanghai Aideweixuan Sport Technology Co.Limited because the share of losses of the joint venture exceeded the Group's interest in the joint venture and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this joint venture for the current year and cumulatively were RMB10,000 (2021: RMB39,000) and RMB49,000 (2021: RMB39,000), respectively.

The loan to a joint venture is unsecured, interest-free and repayable on demand. In the opinion of the directors, the amount is unlikely to be repaid in the foreseeable future and is considered as part of the Group's net investment in the joint venture.

The Group assessed that there was indication that the carrying amount of interest in a joint venture may be impaired as at 31 December 2022. Impairment loss of RMB334,000 (2021: Nil) has been charged to the consolidated statement of profit of loss for the year as the recoverable amount was lower than its carrying amount.

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18. INVESTMENT IN AN ASSOCIATE

	2022 RMB'000	2021 RMB'000
Share of net liabilities	(1,060)	—
Goodwill on acquisition	1,968	—
	908	—

Particulars of the associate 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 Design Week Investment Management Company Limited ("**Shanghai Design**")* 上海設計周投資管理有限公司	Ordinary shares	PRC/ Mainland China	49% (2021: N/A)	Provision of promoting and event organising services
Stufish Asia Limited ("**Stufish Asia**")	Ordinary shares	Hong Kong	Nil	Provision of live entertainment services

* The English name of the company represent the best effort made by management of the Company to directly translate their Chinese name as they do not register any official English name.

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

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

During the prior year, Stufish Asia was deregistered.

The following table illustrates the summarised financial information in respect of the Group's associates that are not material:

	2022 RMB'000	2021 RMB'000
Share of the associates' profit for the year	321	—
Aggregate carrying amount of the Group's investment in the associates	908	—

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19. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 RMB'000	2021 RMB'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investment, at fair value		
Lavin Group Holdings Limited*	**17,217**	—
Unlisted equity investment, at fair value		
Lavin Group Holdings Limited*	—	19,998
Velocious Technologies Inc	**25,127**	—
	25,127	19,998
	42,344	19,998

* The company was formerly known as Fosun Fashion Group (Caymen) Limited and listed in New York Stock Exchange on 15 December 2022.

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

For the year ended 31 December 2022, net fair value loss of RMB736,000 (2021: fair value gain of RMB3,985,000) was recognised in other comprehensive income of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

20. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	RMB'000	*RMB'000*
Unlisted investment, at fair value	**16,354**	—

The above equity investment was classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

For the year ended 31 December 2022, a fair value loss of RMB329,000 was included in "other expenses, net" in the consolidated statement of profit or loss.

21. TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Billed receivables	**157,078**	156,869
Impairment	**(9,489)**	(2,498)
	147,589	154,371
Unbilled receivables	**161,270**	77,321
	308,859	231,692

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

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21. 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:

	2022	2021
	RMB'000	*RMB'000*
Within 1 month	**119,544**	69,250
1 to 3 months	**13,796**	50,889
Over 3 months	**14,249**	34,232
	147,589	154,371

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

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**2,498**	2,087
Impairment losses, net *(note 6)*	**8,963**	1,424
Amount written off as uncollectible	**(1,972)**	(1,013)
At end of year	**9,489**	2,498

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

21. 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 2022

		Past due				
	Current	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**Over 1 year**	**Total**
Expected credit loss rate	**0.03%**	**0.03%**	**0.64%**	**5.32%**	**100%**	**2.98%**
Gross carrying amount *(RMB'000)*	**252,299**	**28,609**	**13,885**	**15,049**	**8,506**	**318,348**
Expected credit losses *(RMB'000)*	**84**	**10**	**89**	**800**	**8,506**	**9,489**

As at 31 December 2021

		Past due				
	Current	Less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total
Expected credit loss rate	0.04%	0.04%	0.33%	6.76%	100%	1.07%
Gross carrying amount *(RMB'000)*	165,964	28,345	15,444	23,669	768	234,190
Expected credit losses *(RMB'000)*	67	11	51	1,601	768	2,498

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Prepayments	**8,950**	28,557
Deposits	**2,440**	2,848
Other receivables	**4,890**	1,106
	16,280	32,511
Portion classified as current assets	**(15,579)**	32,511
Portion classified as non-current assets	**701**	—

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 2022 and 2021, the loss allowance was assessed to be minimal.

Included in the Group's deposits and other receivables is amount due from associate and joint venture of approximately RMB2,500,000 as at 31 December 2022 (2021: RMB355,000) which is unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23. CASH AND CASH EQUIVALENTS

	2022	2021
	RMB'000	*RMB'000*
Cash and bank balances	**300,269**	365,755
Time deposits	**665**	40,727
	300,934	406,482
Less: Pledged time deposits:		
Pledged time deposits	**(665)**	(665)
Cash and cash equivalents	**300,269**	405,817

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

	2022	2021
	RMB'000	*RMB'000*
RMB	**281,872**	312,996
Others	**18,397**	92,821
Cash and cash equivalents	**300,269**	405,817

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24. 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:

	2022	2021
	RMB'000	*RMB'000*
Within 1 month	**186,269**	179,031
1 to 3 months	**53,006**	22,793
Over 3 months	**50,320**	19,931
	289,595	221,755

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

25. OTHER PAYABLES AND ACCRUALS

		2022	2021
	Notes	*RMB'000*	*RMB'000*
Contract liabilities	*(a)*	**2,806**	2,027
Dividend payable		**12,602**	5,600
Other payables and accruals	*(b)*	**26,223**	26,750
		41,631	34,377

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:

	2022	2021
	RMB'000	*RMB'000*
Experiential marketing services	**2,100**	872
Digital and communication services	**706**	1,155
IP development	**—**	—
	2,806	2,027

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

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26. DEFERRED TAX

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

Deferred tax liabilities

	Note	Withholding taxes *RMB'000*	Timing differences on lease liabilities and right-of-use assets *RMB'000*	Total *RMB'000*
At 1 January 2021		—	197	197
Deferred tax charged to profit or loss during the year	*10*	—	6	6
At 31 December 2021 and 1 January 2022		—	203	203
Deferred tax charged to profit or loss during the year	*10*	3,112	135	3,247
At 31 December 2022		3,112	338	3,450

Deferred tax assets

	Note	Impairment of financial assets *RMB'000*
At 1 January 2021		524
Deferred tax credited to profit or loss during the year	*10*	561
At 31 December 2021 and 1 January 2022		1,085
Deferred tax charged to profit or loss during the year	*10*	(727)
At 31 December 2022		358

The Group has tax losses arising in Mainland China of approximately RMB10,776,000 (2021: RMB12,990,000) as at 31 December 2022, that will expire in one to five years for offsetting against future taxable profits.

The Group also has tax loss arising in Hong Kong of RMB12,887,000 (2021: RMB1,151,000) that is available indefinitely for offsetting against future taxable profit of the company in which the loss arose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

26. DEFERRED TAX *(Continued)*

Deferred tax assets *(Continued)*

Deferred tax assets have not been recognised in respect of the tax losses as at 31 December 2022 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 2022, deferred tax liabilities of RMB3,112,000 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.

At the end of the reporting period, the directors of the Company, based on the Group's operation and expansion plan, estimated that part of the retained earnings of the PRC subsidiaries would be retained in Mainland China for use in future operations and investments. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB207,484,000 (2021: RMB249,604,000) at 31 December 2022.

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

27. ISSUED CAPITAL

Shares

	2022 ***RMB'000***	2021 *RMB'000*
Authorised:		
10,000,000,000 ordinary shares of HK$0.001 each	**8,800**	8,800
Issued and fully paid:		
744,742,000 ordinary shares of HK$0.001 each (31 December 2021: 753,718,000 ordinary shares of HK$0.001 each)	**659**	667

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

27. ISSUED CAPITAL *(Continued)*

Shares *(Continued)*

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

	Notes	Number of shares	Share capital *RMB'000*	Share premium *RMB'000*
Issued and fully paid:				
At 1 January 2021		761,816,000	674	266,833
Repurchases and cancellation of 8,098,000 ordinary shares of HK$0.001 during the year	*(a)*	(8,098,000)	(7)	(14,479)
At 31 December 2021 and at 1 January 2022		753,718,000	667	252,354
Repurchases and cancellation of 8,976,000 ordinary shares of HK$0.001 during the year	*(b)*	(8,976,000)	(8)	(16,049)
Dividend paid		—	—	(53,764)
At 31 December 2022		744,742,000	659	182,541

(a) During the year ended 31 December 2021, the Company purchased 7,118,000 of its shares on the Stock Exchange for an aggregate consideration of approximately RMB5,837,000, which was paid in accordance with section 257 of the Hong Kong Companies Ordinance and 8,098,000 shares repurchased were cancelled during the year. Upon the cancellation of 8,098,000 shares repurchased, the issued share capital and share premium account of the Company was reduced by approximately RMB7,000 and RMB14,479,000, respectively. The difference between the aggregate consideration paid and the change in balances of share capital, share premium account and treasury shares for the share repurchase was credited to the capital redemption reserve account of the Company.

(b) During the year ended 31 December 2022, the Company purchased 8,976,000 of its shares on the Stock Exchange for an aggregate consideration of approximately RMB10,191,000, which was paid in accordance with section 257 of the Hong Kong Companies Ordinance and 8,976,000 shares repurchased were cancelled during the year. Upon the cancellation of 8,976,000 shares repurchased, the issued share capital and share premium account of the Company was reduced by approximately RMB8,000 and RMB16,049,000, respectively. The difference between the aggregate consideration paid and the change in balances of share capital, share premium account and treasury shares for the share repurchase was credited to the capital redemption reserve account of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. SHARE OPTION SCHEME AND SHARE AWARD SCHEME

Share option scheme

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

(a) Purpose of the Share Option Scheme

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

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

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

(b) Participant of the Share Option Scheme

The Board 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. SHARE OPTION SCHEME AND SHARE AWARD SCHEME *(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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 the contributions by certain eligible person and providing them with 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 of 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 (the "**Awarded Shares**") 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.

The fair value of the Awarded Shares was based on the market value of the Company's shares at the grant date and the Group recognised an equity-settled share-based payment expenses of RMB18,617,000 for the year ended 31 December 2022.

During the year ended 31 December 2022, 18,400,000 Awarded Shares were vested and transferred to certain executive directors of the Company. During the year ended 31 December 2022, upon the vesting of certain Awards Shares, the carrying value of the shares held under the Share Award Scheme account of the Company was reduced by RMB16,001,000 and such amount was transferred to the share-based payment reserve and retained profits of the Group.

During the year ended 31 December 2022, the Trustee acquired for the Share Award Scheme 22,110,000 ordinary shares (2021: 350,000 ordinary shares) of the Company through purchases on the open market at a total cost (including related transaction costs) of approximately RMB13,682,000 (2021: RMB461,000). The share award scheme does not constitute a share option scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on pages 113 to 114 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 represents 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 share of the Company repurchased.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year ended 31 December 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,660,000 and RMB2,660,000, respectively, in respect of lease arrangements for certain leased properties.

(ii) During the year ended 31 December 2021, the Group had non-cash modification to right-of-use assets of RMB829,000 and lease liabilities of RMB829,000 in respect of a lease arrangement for office property.

(b) Changes in liabilities arising from financing activities

	Lease liabilities
	RMB'000
At 1 January 2021	13,742
Changes from financing cash flows	(6,143)
Lease modification	829
Covid-19-related rent concession from lessors	(300)
Interest expense	613
Foreign exchange movement	(3)
At 31 December 2021 and at 1 January 2022	8,738
Changes from financing cash flows	(2,331)
Addition	2,660
Interest expense	526
Foreign exchange movement	5
At 31 December 2022	9,598

(c) Total cash outflow for leases

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

	2022	2021
	RMB'000	*RMB'000*
Within operating activities	**3,298**	819
Within financing activities	**2,331**	6,143
	5,629	6,962

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. RELATED PARTY TRANSACTIONS

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

	2022	2021
	RMB'000	*RMB'000*
Related company:		
Short-term leases expenses	**2,250**	—
Leases expenses	**—**	2,207

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, expenses related to short-term lease of RMB2,250,000 were paid to the related company. During the prior 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 RMB91,000, respectively. During the prior year, lease payments of RMB2,250,000 were paid to the related company under lease arrangements. The Group had additions to right-of-assets and lease liabilities of RMB4,232,000 and RMB4,232,000, respectively, in respect of lease arrangements for certain leased properties with related company in the prior 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:

	2022	2021
	RMB'000	*RMB'000*
Short-term employee benefits	**10,379**	12,538
Share-based payment expenses	**18,617**	—
Post-employment benefits	**721**	864
Total compensation paid to key management personnel	**29,717**	13,402

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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

	Financial asset at fair value through other comprehensive income — Equity investment *RMB'000*	Financial asset at fair value through profit or loss *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
31 December 2022				
Equity investments at fair value through other comprehensive income	**42,344**	**—**	**—**	**42,344**
Equity investment at fair value through profit or loss	**—**	**16,354**	**—**	**16,354**
Trade receivables	**—**	**—**	**308,859**	**308,859**
Financial assets included in prepayments, deposits and other receivables	**—**	**—**	**7,330**	**7,330**
Pledged bank deposits	**—**	**—**	**665**	**665**
Cash and cash equivalents	**—**	**—**	**300,269**	**300,269**
	42,344	**16,354**	**617,123**	**675,821**
31 December 2021				
Equity investments at fair value through other comprehensive income	19,998	—	—	19,998
Trade receivables	—	—	231,692	231,692
Financial assets included in prepayments, deposits and other receivables	—	—	3,954	3,954
Pledged bank deposits	—	—	665	665
Cash and cash equivalents	—	—	405,817	405,817
	19,998	—	642,128	662,126

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32. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
31 December 2022	
Trade payables	**289,595**
Financial liabilities included in other payables and accruals	**15,401**
Lease liabilities	**9,598**
	314,594
31 December 2021	
Trade payables	221,755
Financial liabilities included in other payables and accruals	7,133
Lease liabilities	8,738
	237,626

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		**Fair values**	
	2022 *RMB'000*	2021 *RMB'000*	**2022** *RMB'000*	2021 *RMB'000*
Financial assets				
Equity investments designated at fair value through other comprehensive income	**42,344**	19,998	**42,344**	19,998
Equity investments at fair value through profit or loss	**16,354**	—	**16,354**	—
	58,698	19,998	**58,698**	19,998

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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

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 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:

The fair value of listed equity investment at fair value through other comprehensive income and unlisted equity investment through profit or loss are based on quoted market price. The fair value of the unlisted equity investment at fair value through other comprehensive income have been estimated using the discounted cash flow valuation model. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022:

	Valuation Technique	Significant input unobservable	Range	Sensitivity of fair value to the input
Unlisted equity investment	Equity value allocation method	Discount rate	16%	1% increase/decrease in discount rate would result in increase/ decrease in fair value by RMB1,307,000/ RMB1,106,000
		Discount for Lack of marketability	23%	5% increase/decrease in discount rate would result in increase/ decrease in fair value by RMB879,000

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) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
As at 31 December 2022				
Investments at fair value through other comprehensive income	**17,217**	**—**	**25,127**	**42,344**
Investment at fair value through profit or loss	**—**	**16,354**	**—**	**16,354**
	17,217	**16,354**	**25,127**	**58,698**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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

Assets measured at fair value: *(Continued)*

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** *RMB'000*
As at 31 December 2021				
Investments at fair value through other comprehensive income	—	19,998	—	19,998

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

	2022 ***HK$'000***
Equity investments at fair value through other comprehensive income	
At 1 January	—
Purchases	**20,000**
Totai gain recognised in other comprehensive income	**3,527**
Exchange realignment	**1,600**
At 31 December	**25,127**

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

During the year, an investment at fair value through other comprehensive income was transferred from Level 2 to Level 1. No transfers into or out of Level 3 for financial assets.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise lease liabilities 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, lease liabilities and financial liabilities included in other payables and accruals, which mainly arise directly from its operations.

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

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31 December 2022

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

Credit risk

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

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 2022

	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*	—	—	—	318,348	318,348
Financial assets included in prepayments, deposits and other receivables					
— Normal**	7,330	—	—	—	7,330
Pledged bank deposits					
— Not yet past due	665	—	—	—	665
Cash and cash equivalents					
— Not yet past due	300,269	—	—	—	300,269
	308,264	—	—	318,348	626,612

As at 31 December 2021

	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*	—	—	—	234,190	234,190
Financial assets included in prepayments, deposits and other receivables					
— Normal**	3,954	—	—	—	3,954
Pledged bank deposits					
— Not yet past due	665	—	—	—	665
Cash and cash equivalents					
— Not yet past due	405,817	—	—	—	405,817
	410,436	—	—	234,190	644,626

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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

Credit risk *(continued)*

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

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 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:

	2022	2021
	%	%
Trade receivables from:		
The largest debtor	**20**	19
The five largest debtors	**53**	48

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

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.

	Less than 1 year	**1 to 10 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
31 December 2022			
Trade payables	**289,595**	**—**	**289,595**
Financial liabilities included in other payables and accruals	**15,401**	**—**	**15,401**
Lease liabilities	**3,520**	**6,908**	**10,428**
	308,516	**6,908**	**315,424**
31 December 2021			
Trade payables	221,755	—	221,755
Financial liabilities included in other payables and accruals	7,133	—	7,133
Lease liabilities	2,476	7,963	10,439
	231,364	7,963	239,327

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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

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 2022 and 2021.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes 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:

	2022	2021
	RMB'000	*RMB'000*
Lease liabilities *(note 14)*	**9,598**	8,738
Total debt	**9,598**	8,738
Total equity	**353,590**	429,414
Gearing ratio (%)	**2.71**	2.03

35. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2022	2021
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Investment	—	20,000
Capital contribution payable	**5,100**	5,100
	5,100	25,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2022	2021
	RMB'000	*RMB'000*
NON-CURRENT ASSET		
Investments in subsidiaries	**37,094**	37,729
CURRENT ASSETS		
Cash and bank balances	**17,463**	81,739
Prepayment, deposits and other receivables	**—**	124
Due from shareholder	**64**	60
Due from subsidiaries	**162,087**	138,484
Total current assets	**179,614**	220,407
CURRENT LIABILITIES		
Other payables and accruals	**143**	89
Total current liabilities	**143**	89
NET CURRENT ASSETS	**179,471**	220,318
NET ASSETS	**216,565**	258,047
EQUITY		
Issued capital	**659**	667
Reserves *(note)*	**215,906**	257,380
Total equity	**216,565**	258,047

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36. 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	Retained earnings/ accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	266,833	(643)	37,641	39,256	(16,829)	(11,517)	314,741
Share repurchased and cancelled	(14,479)	643	—	8,006	—	—	(5,830)
Profit for the year	—	—	—	—	—	6,404	6,404
Other comprehensive loss for the year	—	—	—	—	(8,046)	—	(8,046)
Dividend paid	—	—	(24,944)	(24,945)	—	—	(49,889)
At 31 December 2021 and 1 January 2022	252,354	—	12,697	22,317	(24,875)	(5,113)	257,380
Share repurchased and cancelled	(16,049)	—	—	5,866	—	—	(10,183)
Profit for the year	—	—	—	—	—	35,435	35,435
Other comprehensive income for the year	—	—	—	—	24,075	—	24,075
Dividend paid	(53,764)	—	(10,777)	(6,435)	—	(19,825)	(90,801)
At 31 December 2022	182,541	—	1,920	21,748	(800)	10,497	215,906

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 8 March 2023.

DEFINITIONS

"ACT Partners"	ACT Partners Global Ltd., a company incorporated in the BVI with limited liability on 10 December 2018 which is owned as to approximately 50% by Mr. Chan, approximately 23.28% by Ms. Low and the remaining Shares are held by 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
"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

DEFINITIONS

"Aide Zhongxin"	Aide Zhongxin (Shanghai) Management Consultancy Partnership Enterprise (Limited Partnership)* (艾德眾信(上海)管理顧問合夥企業(有限合夥)) (formerly known as 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 2 June 2022 (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
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Act"	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands
"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 Act
"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

DEFINITIONS

"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
"FY2021" or "2021"	the financial year ended 31 December 2021
"FY2022" or "2022"	the financial year ended 31 December 2022
"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
"Latest Practicable Date"	14 April 2023, the latest date prior to the printing of this annual report for ascertaining certain information in this annual report
"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

DEFINITIONS

"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 2 June 2022 (as amended, supplemented or otherwise modified from time to time)
"Mr. Chan"	Mr. Chan Wai Bun (陳偉彬), an executive Director and a vice president of the Group
"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 a vice president of the Group
"NBS Holdings"	NBS Holdings Limited, a company incorporated in the BVI with limited liability on 25 January 2007 and wholly owned by Mr. Ng
"PRC" or "China"	the People's Republic of China which, for the purposes of this annual report excludes Hong Kong, Macau and Taiwan
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of HK$0.001 each in the share capital of the Company
"Share Schemes"	Share Option Scheme and Share Award Plan
"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