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

2023 ANNUAL REPORT

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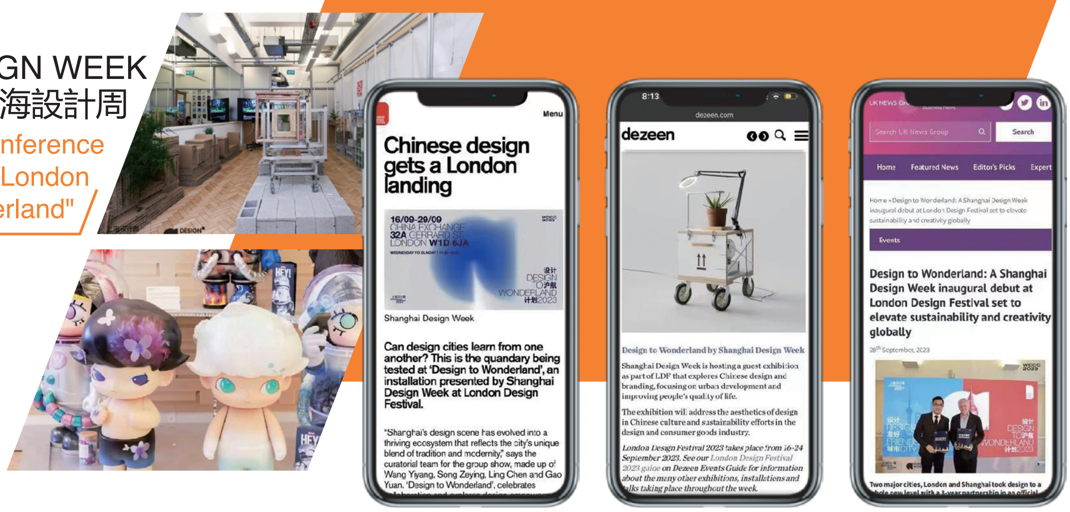

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CHAIRMAN'S STATEMENT

Dear Shareholders,

The Board is pleased to present the consolidated results of the Group for FY2023, together with the comparative audited figures for FY2022. These annual results have been reviewed by the Company's audit committee.

The Group is a leading marketing group for pan-fashion (泛時尚) brands in Greater China that mainly focuses on the provision of (i) experiential marketing, (ii) digital and communication, and (iii) intellectual property ("**IP**") development in Greater China. The Group has accumulated over 550 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. According to China Insights Industry Consultancy Limited, the Group continues to be the largest experiential marketing service provider for premium and luxury brands in Greater China with a market share of 12.7% in 2023.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK6.16 cents per Share and a final special dividend of HK4.42 cents per Share for FY2023, which amounted to an aggregate of HK$78.8 million, subject to the approval of the Shareholders at the forthcoming annual general meeting. This proposed pay-out, together with the interim dividend of HK2.00 cents per Share paid on 14 September 2023, would give a total dividend of HK12.58 cents per Share for FY2023 (FY2022: HK22.70 cents per Share). Subject to the Shareholders' approval at the forthcoming annual general meeting of the Company (the "**2024 AGM**") to be held on Monday, 27 May 2024, it is expected that the final dividend and the final special dividend shall be paid to the Shareholders on or before Tuesday, 18 June 2024.

OVERVIEW

In 2023, China's macroeconomic stability and the expansion of the consumer service industry paved the way for considerable growth opportunities in the marketing economy sector. Throughout the year, the strategic importance of the Chinese market attracted numerous owners and management teams from global luxury brands visited mainland China. This trend not only highlighted the significance of the Chinese luxury market but also opened up valuable opportunities for business development for Group.

As a leading premium and luxury brands experiential marketing services provider in the Greater China region, the Group achieved historic highs in performance and demonstrated remarkable resilience and growth capabilities. This outstanding achievement extends beyond our excellent financial performance. More crucially, it reflects the dedication and professional expertise of our employees. The Group's success showcases our sharp insights into market dynamics, understanding of customer needs, and prediction of future market trends.

CHAIRMAN'S STATEMENT

The strategy of the Group focuses on providing innovative, diverse and high-quality marketing services. This approach not only helps us to deeply understand and meet the needs of customers but also enables the Group to maintain a leading position in a competitive and fast changing market environment. The outstanding performance of the Group consolidates our leadership position in the industry but also reaffirms our long-term commitment to strategic direction and refined management practices.

The Group's revenue for FY2023 was approximately RMB967.2 million, an increase of 39.2% compared to RMB694.8 million for FY2022. The net profit of the Group for FY2023 was approximately RMB118.4 million, up 319.9% compared to RMB28.2 million for FY2022; and the net profit margin for the Group was about 12.2% in FY2023, an increase of 8.1 percentage points compared to 4.1% in FY2022. The profit attributable to equity shareholders of the Group was RMB108.0 million (FY2022: RMB23.6 million). The basic earnings per share were RMB14.80 cents (FY2022: RMB3.21 cents).

MARKET OPPORTUNITIES

According to the latest report from Bain & Company's "2023 China Luxury Market Report" (the "**Bain Report**"), the Chinese market continues to solidify its position as the preferred destination for global luxury consumption and holds strategic importance for luxury brands worldwide. The report indicates that in 2023, Chinese mainland consumers were expected to account for 22–24% of the total global luxury consumption, while the Chinese market itself contributes approximately 16% to the global total. The Bain Report predicts that by 2030, China is poised to become the leading luxury market globally, with Chinese consumers potentially capturing a global market share of 35–40%, and the Chinese market's share itself increasing to 24–26%. Complementing these findings, market research from Euromonitor has also revealed that for at least the next four years, China's luxury spending is set to outpace that of the US and Western Europe, further underscoring the pivotal role of the Chinese market in the luxury sector.

This trend indicates that, as the Chinese consumer market expands, China is set to emerge as one of the world's predominant luxury goods markets. Major luxury brands globally are intensifying their efforts to capture the attention of Chinese consumers. After years of development, the luxury goods market in mainland China has witnessed significant changes in consumer recognition of brand value and pursuit of high-quality living, which have become key drivers propelling the market towards positive growth. Therefore, for luxury brands, continuous innovation and effective marketing strategies will play a decisive role on the brand's long-term development. This approach not only helps strengthen the connection between the brand and consumers but also establishes and deepens consumer loyalty to the brand. In light of these developments, the Group anticipates that luxury brands will continue to actively engage in large-scale marketing and promotional activities in the Chinese market in the coming years.

CHAIRMAN'S STATEMENT

OUTLOOK AND STRATEGY

Given the increasing importance of the Chinese market in the global luxury goods industry, the Group has successfully secured multiple marketing service projects from both international and local clients in mainland China and Hong Kong, and has been implementing these projects gradually.

The Group has developed proactive strategies reflecting the growth trends of the Chinese luxury goods market and evolving consumer demands. These strategies are crafted to enhance relationships with current clients while simultaneously seeking to captivate new clientele. The Group is determined to broaden its impact in the Chinese market by employing creative marketing tactics and offering exceptional service experiences. As the Chinese luxury goods market continues to grow, the Group is ready to further solidify and advance our predominant status in the industry, aiming for sustained and stable growth.

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:

Continuing to advance one-stop brand marketing services

As a leading marketing group for pan-fashion brands in Greater China, the Group is dedicated to providing clients with comprehensive brand marketing solutions to enhance their brand influence in the Chinese market. The Group's offline and online one-stop marketing strategy has demonstrated significant effectiveness in 2023.

The Group's experiential marketing focuses on planning content-rich and sensory-rich activities for the brand, with the aim of allowing consumers to subconsciously gain an in-depth understanding of the brand's history and culture. Through these activities, the Group aims to provide a visual feast that transcends to a deep emotional experience. Such methods are effective in enhancing the brand's image and creating a memorable impact on consumers. These engagements are designed to spur sales in the short term while simultaneously fostering a lasting emotional bond between consumers and the brand. Over time, they solidify the relationship with key clients, such as Very Important Customers (VIC), and bolster brand loyalty.

Through the execution of large-scale offline events, the Group successfully attracted thousands of attendees, generating significant on-site engagement. Our approach to providing exclusive, customized activities for clients was not just about crafting memorable on-site experiences; it also strategically extended the brand's reach and engagement across digital platforms. By leveraging online media channels such as Douyin, Weibo, Xiaohongshu, YouTube, Instagram, alongside live streaming and interactive discussions, we captured the attention of hundreds of millions of viewers online. This synergistic integration of online and offline marketing tactics has been instrumental in driving substantial online traffic, with hundreds of millions of hits over the past three years. This strategy has not only broadened our brand's consumer base but also markedly amplified its influence. Such results underscore the effectiveness of our marketing initiatives, highlighting their role in enhancing the brand's market positioning and driving long-term value creation.

CHAIRMAN'S STATEMENT

The Group's integrated offline and online marketing strategy is a key driver of brand growth, contributing significantly to the local economy and enhancing regional visibility. These initiatives highlight our comprehensive expertise in marketing and underscore our commitment to long-term strategic planning. Our innovative and varied tactics lead to market expansion for brands while also delivering substantial benefits to the local community. This dual focus emphasizes our dedication to business success as well as to social responsibility.

The Group recognizes that young consumers are pivotal in shaping future consumption trends. As per the Bain Report, generations post-85s, post-90s, and post-2000s are increasingly influential in the market. These digital natives, who prioritize personalization, quality, and experience, are crucial in guiding China's consumption evolution. Our offline events, like exhibitions, often represent the initial touchpoint for these young potential customers with a brand, offering significant opportunities for the Group's experiential marketing strategies. By tapping into these trends, we aim to maximize our engagement with this key demographic, anticipating a substantial return on investment through increased brand loyalty and market share.

According to the "2023 China Luxury Goods Report" by the Yaok Institute, China's luxury goods market has seen substantial online growth this year, primarily due to a significant digital transformation in physical retail spaces. This shift has been a driving force behind the surge in online luxury brand sales. In 2023, these online sales constituted 42% of total annual sales, with projections suggesting this could surpass 60% within the next 3 to 5 years. Such a trend underscores the tremendous opportunity for expansion in digital marketing for luxury goods.

Therefore, the Group expects that its experiential marketing and digital and communication activities will grow steadily in the future and will firmly capture the huge opportunities brought by the rapid expansion of China's luxury goods market.

Moving forward, the Group will continue to refine our one-stop online and offline marketing services, and deliver superior quality marketing solutions to our existing clients, further cementing our leadership in the industry. Simultaneously, we are actively working to expand our customer base. This strategy is in alignment with current market trends and is designed to maximize returns and strengthen our market presence in the ever-evolving luxury goods sector.

IP Development

IP development business is the second growth driver of the Group. The cultural IP, "Shanghai Design Week", has successfully executed various activities both domestically and internationally, showcasing a robust increase in brand influence and market appeal. Moreover, the operation of "West Bund Orbit" exhibition hall in West Bund Financial Hub in Xuhui District in Shanghai by a joint venture of the Group and Hongkong Land has commenced in November 2023, provided a new high-end offline scenario for the Group's clients.

In terms of sports IP, the Group is actively engaged in discussions to host stages of the Le Tour de France cycling race in several major tourist cities across China. With progress advancing smoothly, the Group aims to organize a number of cycling events in 2024. These sports events, have strong their strong appeal and wide influence, which will further enhance the Group's brand awareness and market influence.

CHAIRMAN'S STATEMENT

As the operator of these multiple IPs, through the efforts of the Group's team, the IP business will become an important driving force for future business growth.

Looking to the future, the Group maintains an optimistic outlook and is committed to continuously monitoring market dynamics, ensuring that our services evolve to meet diverse market demands. Leveraging our competitive strengths, we are dedicated to providing high-quality services to our clients, thereby driving sustainable business growth and further reinforcing our competitive edge and leadership in the industry.

Faced with evolving market and industry trends, the Group is well-equipped to address any challenges with flexibility and strong adaptability, ensuring consistent business growth. We are confident in our strengths and development potential, committed to consistently exceeding expectations and delivering value-added services to our clients in this ever-changing environment.

Moreover, we recognize that talent is the foundation of the Group's success. We are dedicated to continually investing in enhancing the skills and capabilities of our employees, establishing a robust talent base for the Group's long-term development. We firmly believe that a stellar team is key to effectively navigating future challenges, seizing market opportunities, achieving sustainable growth, and continuously creating value for the Shareholders.

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 for the Company.

Lau Kam Yiu
Joint-Chairman and Chief Executive Officer
Hong Kong
11 March 2024

BOARD AND COMMITTEES

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Law Kwok Chun

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

BOARD 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 48, 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 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 25 years of experience in the marketing industry.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng Bo Sing (伍寶星), aged 43, is the joint-chairman of the Board and the chief financial officer of the Group. He is an executive Director since 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 14 years of experience in management.

Mr. Chan Wai Bun (陳偉彬), aged 52, is an executive Director since 2019, the co-chief operating officer, and a vice president of the Group who is responsible for the overall operation of experiential marketing business of the Group. He joined the Group in 2014 as the general manager of Activation Events. 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 27 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 60, is an executive Director since 2019, the co-chief operating officer, a vice president of the Group, and a general manager of Activation Events who is responsible for the overall operation of experiential marketing business of the Group. She has more than 22 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 57, is an independent non-executive Director since 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 27 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 a member of Working Party on Seminars of Accounting Training Board under The Vocational Training Council since 2013, and a member of Customer Liaison Group for small and medium enterprises of the Trade and Industry Department of the Government of HKSAR from 2017 to 2022.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yu Longjun（余龍軍）, aged 38, is an independent non-executive Director since 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 15 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 63, is an independent non-executive Director since 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 three other companies listed on the Main Board of the Stock Exchange, namely Casablanca Group Limited (stock code: 2223) since 2017; PanAsialum Holdings Company Limited (stock code: 2078) since 2018; and Sinomax Group Limited (stock code: 1418) since June 2023. Dr. Cheung was an independent non-executive director of Sky Light Holdings Limited (stock code: 3882), a company listed on the Main Board of the Stock Exchange, 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

Mr. Bao Yifeng（包一峰）, aged 51, 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.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Zhou Qi（周琦）, aged 49, 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 48, 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 and a master's degree of Executive MBA from Quantic School of Business and Technology in 2002 and 2022 respectively. He has more than 25 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 (stock code: 8491), a company listed on GEM of the Stock Exchange, as non-executive director and vice chairman of the board from January 2021 to March 2023.

Ms. Cheng Yuen Yee June（鄭婉宜）, aged 49, 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 53, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Geographical Review

The Group's business was conducted in Chinese Mainland, Hong Kong and Singapore. The following table sets forth the breakdown of revenue by geographic region for the periods indicated:

	For the year ended 31 December			
	2023		2022	
	RMB'000	**%**	*RMB'000*	%
Chinese Mainland	**867,277**	**89.7**	669,619	96.4
Hong Kong and Singapore	**99,954**	**10.3**	25,188	3.6
Total	**967,231**	**100.0**	694,807	100.0

Business Segment Review

During FY2023, the revenue of the Group's experiential marketing services segment, digital and communication services segment and the IP development segment were RMB762.0 million (FY2022: RMB513.9 million), RMB188.2 million (FY2022: RMB154.4 million) and RMB17.0 million (FY2022: RMB26.5 million) respectively.

The following table sets out the revenue of the Group by service line for FY2022 and FY2023.

	2023	2022
	RMB'000	*RMB'000*
Experiential marketing services	**761,972**	513,877
Digital and communication services	**188,237**	154,399
IP development	**17,022**	26,531
Total	**967,231**	694,807

MANAGEMENT DISCUSSION AND ANALYSIS

Experiential Marketing

According to the research report by China Insights Industry Consultancy Limited, the Group continues to be the largest experiential marketing service provider for premium fashion brands in Greater China with a market share of 12.7% in 2023.

The Group's experiential marketing business scope covers creative design, content production, event planning, event management and execution, all tailored to the brand's target consumers. These services are aimed at boosting brand awareness and increasing consumer engagement for the Group's clients. Since 2020, the Group has actively promoted data interactive marketing business. The combination of physical events with data interactive services did not only create contents but also provide massive online exposure and secondary marketing to expand coverage and enhance marketing effect. Previously, several offline marketing events conducted by the Group were livestreamed, which drew millions to hundreds of millions of views online.

During 2023, the Group has held a number of events, including ARC'TERYX "Upwards Beauty" themed show, BOTTEGA VENETA Fall/Winter 2023-2024 Beijing Fashion Show, CARTIER "Cartier and Women" special exhibition, CHANEL "Première Funfair Event", CINDY CHAO "The Art Jewel" exhibition, COMME MOI "Fall/Winter 2023 Show", DIOR "Autumn 2023 Collection Preview", GUCCI "Gucci Cosmos" archive exhibition, LORO PIANA "Summer Resort 2023 Collection" pop-up store, LOUIS VUITTON "Women's Pre-Fall 2023 Show" in Korea and "Mens Pre-Fall 2024 Fashion Show" in Hong Kong, MERCEDES-BENZ "All-new EQE pure electric SUV launch in China" festival, OPPO "Find X6 Series Launch Event" and SWAROVSKI "Masters of Lights" exhibition, and more. The success of these events has once again proved the Group's expertise in the experiential marketing sector.

During 2023, the Group's experiential marketing business has recorded with a revenue of approximately RMB762.0 million, representing an increase of 48.3% as compared to approximately RMB513.9 million in FY2022. The revival of the Chinese economy and the active consumption of premium and luxury goods and the increased demands from clients marketing have brought more business opportunities for experiential marketing for the Group.

The revenue generated from experiential marketing business segment accounted for 78.8% of the Group's total revenue in FY2023. This demonstrates the dominant position of the Group in this field and the success of its business model to grasp the marketing demand of premium brands in Greater China.

Digital and Communication

Digital and communication business can be better integrated with experiential marketing business to foster a potent synergy. This approach amplifies the strengths of each individual strategy, culminating in a comprehensive and highly effective marketing framework. In addition to expand brand recognition and influence, digital and communication business also helps to increase consumer engagement and loyalty by providing valuable content and interactive experiences, thereby generating greater value for the Group's business.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Since 2020, the Group has been providing data interactive services, generating millions to billions of viewerships through online platforms. Such kind of online promotion has also effectively increased the sales revenue of customers. The Group actively seizes cooperation opportunities and promotes the livestream e-commerce business of its joint ventures. In addition, since 2022, the Group has also been deploying additional value-added service solutions for metaverse marketing to better respond to the rapid changes in the digital age and provide customers with more comprehensive marketing services.

During FY2023, the Group provided online marketing services for numerous brands, including BALMAIN, BARBOUR, BOBBI BROWN, COTY, DIESEL, FILA, GENTLE MONSTER, HAMILTON, JACQUEMUS, KENZO, LA PRAIRIE, LOEWE PERFUME, JOYERIA TOUS, MARC JACOBS, MAX&CO, NEW BALANCE, REMY MARTIN, ROGER DUBUIS, SEPHORA, SK-II, STEINWAY, TASAKI, TORY BURCH, TUDOR, and VENCHI, and more.

In FY2023, the revenue of the digital and communication business was approximately RMB188.2 million, representing a increase of 21.9% as compared to RMB154.4 million in FY2022, which accounted for 19.5% of the Group's total revenue for FY2023. The primary reason for the rise in digital and communication business is the increasing demand from clients for one-stop (online+offline marketing) services, which has led to the benefit of the business segment.

IP Development

The Group owns long-term exclusive operating rights for a number of IPs, including Shanghai Design Week, D UNIVERSE, West Bund Orbit, Le Tour de France and LaLiga Club. These IPs will not only provide more bushiness opportunities, more importantly it can also further enhance the brand recognition and market influence of the Group.

During FY2023, Shanghai Design Week successfully held multiple events in China and overseas, including the "18th International Architecture Exhibition La Biennale di Venezia Pavilion of the P.R. China", "2023 Made in Shanghai Expo" and "Shanghai Design Week – Design Express à Shanghai" and "2023 World Design Cities Conference (WDCC)". West Bund Orbit has officially launched in November 2023 and a few activities are being conducted successively. Throughout 2023, the Group concluded the Laliga Club Legend Tour in China and actively prepared for Le Tour de France cycling event during the year. A number of cycling matches is expected to be held in tourist cities in the coming years.

In FY2023, the revenue for the IP development business was approximately RMB17.0 million (FY2022: RMB26.5 million), a decrease of 35.8%. which accounted for 1.8% of the Group's total revenue in 2023 Interim. The decrease is mainly due to the exclusion of the revenue generated from the associate of Shanghai Design Week and West Bund Orbit.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Cost of sales

The cost of sales of the Group increased from RMB492.6 million for FY2022 to RMB669.0 million for FY2023, which was in line with the increase in revenue. The cost of sales mainly includes production cost, third party service cost, media cost and venue rental cost which may fluctuate depending on the types and mix of projects carried out by the Group in the relevant period.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by 47.5% from RMB202.2 million in FY2022 to RMB298.2 million for FY2023, such increase was mainly caused by the increase in revenue. Its overall gross profit margin increased from 29.1% for FY2022 to 30.8% for FY2023. Such increase in gross profit margin was due to the fact that the Group has improved on project cost control.

Other income and gains

The Group's other income and gains decreased from RMB16.3 million for FY2022 to RMB13.9 million for FY2023. The decrease in other income and gains was mainly due to the decrease in government grants, subsidies and interest incomes.

Selling and distribution expenses

The Group's selling and distribution expenses were approximately RMB86.5 million for FY2023 (FY2022: RMB86.4 million).

General and administrative expenses

The Group's general and administrative expenses decreased from RMB65.7 million for FY2022 to RMB58.6 million for FY2023. Such decrease was primarily due to the decrease in share award expense from RMB18.6 million for FY2022 to RMB9.8 million in FY2023, which was arising from the grant of shares of the Company to executive directors, senior management and employees in March 2023 and December 2023.

Other expenses, net

The Group's other expenses recorded a decrease from RMB10.5 million for FY2022 to RMB6.0 million for FY2023. The decrease in other expenses was due to the decrease in the impairment of trade receivables.

Finance costs

The Group's finance costs remained at approximately RMB0.4 million for FY2023 (FY2022: RMB0.5 million).

Net profit and net profit margin

The Group recorded a net profit of RMB118.4 million for FY2023 (FY2022: RMB28.2 million), representing an increase of 319.9% as compared to FY2022. Overall net profit margin increased from 4.1% for FY2022 to 12.2% for FY2023.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

Cash and cash equivalents

As at 31 December 2023, the Group's cash and cash equivalents amounted to approximately RMB307.1 million (31 December 2022: RMB300.3 million) which were mainly denominated in Renminbi and Hong Kong dollars.

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.

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 1 January 2023 *HK$ million*	Net Proceeds utilised during FY2023 *HK$ million*	Unutilised Net Proceeds as at 31 December 2023 *HK$ million*
Develop and expand the existing business of integrated marketing solutions and IP development	192.8	81.1	—	—	—
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	161.5	—	161.5
Total	**345.0**	**345.0**	**166.7**	**—**	**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 "**Announcements**").

MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed in the Announcements, there has been no material change in the intended use of the Net Proceeds. Taking into account the current macroeconomic environment and to minimize risk exposure, the Company has decided to defer the expected timeline for full utilisation of the Unutilised Net Proceeds allocated for strategic investments to 2025.

Borrowing and charges on the Group's assets

As at 31 December 2023, the Group did not have any interest-bearing borrowing (as at 31 December 2022: nil).

Gearing ratio

Since the Group did not have any bank borrowings, the gearing ratio as at 31 December 2023, calculated on the basis of bank and other borrowings over total equity, was nil (as at 31 December 2022: 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.

Employees and remuneration policies

As at 31 December 2023, the total number of employees of the Group was approximately 243 (as at 31 December 2022: 261). For FY2023, the employee benefit expenses of the Group (including directors' emoluments) were approximately RMB114.2 million (FY2022: RMB110.7 million).

The Group offers a comprehensive remuneration package to its employees, which is generally structured with reference to market terms and individual merits, and 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. The Company has also adopted a share option scheme and a share award plan with the purposes of, among others, giving incentives or rewards to eligible participants for their contribution to the growth and development of the Group.

Trade receivables and trade payables

The trade receivables of the Group increased from RMB308.9 million as at 31 December 2022 to RMB397.6 million as at 31 December 2023; and the trade payables of the Group increased from RMB289.6 million as at 31 December 2022 to RMB339.4 million as at 31 December 2023.

Contingent liabilities

The Group has no material contingent liabilities as at 31 December 2023.

Acquisition and disposal of subsidiaries and associated companies

The Group had no material acquisitions and disposals of subsidiaries and associated companies during FY2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital commitment

As at 31 December 2023, the Group has a capital commitment of RMB8.1 million (as at 31 December 2022: RMB5.1 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 2023.

Future plan for material investments or capital assets

The Group does not have plans for material investments and capital assets 31 December 2024 as at the date of this annual report.

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 2019, 2020, 2021, 2022 and 2023:

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

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Revenue	**967,231**	694,807	904,057	457,999	661,774
Profit before tax	**164,785**	55,698	144,628	38,551	66,866
Income tax expense	**(46,366)**	(27,454)	(42,074)	(13,321)	(25,995)
Profit attributable to owners of the parent	**118,419**	28,244	92,488	23,423	29,969

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Total assets	**795,401**	757,971	716,244	588,602	359,679
Total liabilities	**(435,426)**	(357,656)	(286,827)	(215,765)	(287,650)
Net assets	**359,975**	400,315	429,417	372,837	72,029
Equity attributable to owners of the parent	**339,769**	383,034	406,318	359,929	59,892

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for FY2023.

The Board believes that strong corporate governance provides a solid foundation for sustainable growth and long-term success. The Board will continue to focus on enhancing sound corporate governance, and promoting the corporate values and culture at all levels in the Group.

The Board believes that good governance starts from the top. At the core of our governance structure is a diverse and effective Board, which is committed to maintaining the highest standard of corporate governance, implementing sound internal controls and effective risk management mechanism, enhancing transparency and instilling accountability, and being a standard-bearer for integrity and honesty.

In addition, corporate belief must be supported and practised by all levels of employees and each employee at any level strives to uphold the standards of integrity and honesty in every aspect of our business.

Our mission, vision and values are guiding principles by which we do business and will guide us to sustainable growth.

Mission

We are on the mission to deliver strategic, creative, and cost-effective experiential marketing solutions for our clients.

Vision

We provide innovative communications solutions to clients by using proprietary processes.

Values

We believe in:

- Leadership and commitment
- Creative and cost-effective solutions
- Putting clients first
- Integrity, honesty and trust

ACTIVATION'S CULTURE

The Company is committed to developing a positive and progressive culture that is built on its purpose (as set out below), mission and values; one that allows employees across the Group to thrive, meet their full potential, and that enables the Company to deliver long-term sustainable growth and success and to fulfil its role as a leading marketing group for pan-fashion (泛時尚) brands in Greater China.

The Group's purpose is to deliver the integrated services to meet and satisfy the needs of the commercial world, underpinned by the business values of innovation, collaboration, integrity and sustainability across all levels of the Group.

CORPORATE GOVERNANCE REPORT

We are committed to the mission of the development, innovation and technology of core business of the Group, the Group lives up to this purpose by instilling a culture that is forward looking and agile to achieve competitiveness. It also respects and promotes the values of creativity, opportunities to exchange ideas and cross-fertilisation of innovative advancements and solutions to enhance long-term sustainable growth and value as a principal objective of the Company. Alongside the Group's robust corporate governance framework and the risk management and internal control systems, the desired culture is developed and reflected consistently in the operating practices of the Group, workplace policies and practices as well as relations with stakeholders, through active collaboration, effective engagement and regular training at all levels. Board oversight of culture encompasses a range of measures and tools over time, including workforce engagement, employee retention and training, stringent financial reporting, effective and accessible whistleblowing framework, legal and regulatory compliance (including compliance with the code of conduct and group policies), as well as staff safety, well-being and support. The Directors are satisfied with the performance of the Board and acknowledged that the Board plays an effective role in the development and determination of the Group's culture, strategy and overall commercial objectives. Taking into account the corporate culture in a range of contexts, the Board considers that the culture and the purpose, mission and values of the Group are aligned.

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 C1 to 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 by the management. The Board monitors the Group's operational and financial performance, reviews the Group's compensation policies, and ensures that a positive and progressive culture, effective governance, and 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. The terms of reference are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

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.

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 "Board 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

The joint-chairmen of the Board, Mr. Lau Kam Yiu and Mr. Ng Bo Sing, promote a culture of openness and actively encourages Directors to voice out their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's effective functioning. The Board, under the leadership of the joint-chairmen, has adopted good corporate governance practices and procedures and taken appropriate steps to promote effective communication and ongoing engagement with Shareholders and other stakeholders, as outlined later in this report.

CORPORATE GOVERNANCE REPORT

Up to the date of this annual report, Mr. Lau Kam Yiu is currently performing the roles of joint-chairman of the Board and chief executive officer of the Group. Under code provision C.2.1 of Part 2 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Taking into account Mr. Lau's extensive experience in the marketing industry, the Board considered that the roles of joint-chairman and chief executive officer being performed by Mr. Lau enables more effective business planning and implementation by 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 need to appoint different individuals to perform the roles of joint-chairman and chief executive officer separately.

Independent Non-executive Directors

For FY2023, 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 FY2023. Based on the confirmations of the independent non-executive Directors, the Company considers each of them to be independent during FY2023.

Appointment and Re-election of Directors

Code provision B.2.2 of 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 Part 2 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.

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.

CORPORATE GOVERNANCE REPORT

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. Ng Bo Sing, Mr. Yu Longjun and Dr. Cheung Wah Keung will retire by rotation at the 2024 AGM and, being eligible, offer themselves for re-election.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix C3 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company.

Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during FY2023. The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision C.1.3 of Part 2 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during FY2023 after making reasonable enquiry.

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 FY2023, 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 FY2023:

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	✓

CORPORATE GOVERNANCE REPORT

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 FY2023.

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.

Board Meetings and General Meeting

During FY2023, the Company held four Board meetings in total and one general meeting. The Company has fully complied with the requirements under code provision C.5.1 of 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	2023 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.

CORPORATE GOVERNANCE REPORT

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.

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.

CORPORATE GOVERNANCE REPORT

During FY2023, the Audit Committee held two meetings, at which the Group's annual results for FY2022, interim results for the six months ended 30 June 2023 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 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 code provision D.3.3(e)(i) of Part 2 of the CG Code during FY2023.

The attendance of the meetings by each member during FY2023 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 chairlady 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 FY2023, 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 two executive Directors and four employees of the Company from the trust of the share award plan was approved.

CORPORATE GOVERNANCE REPORT

The attendance of the meetings by each member during FY2023 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

Pursuant to code provision E.1.5 of 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 FY2023:

Group	**Remuneration *(HK$)***	**No. of individuals**
1	0 — HK$1,000,000	7
2	HK$1,000,001 — HK$2,000,000	2
3	HK$2,500,001 — above	3

Notes:

Group 1 includes 3 Directors and 4 members of senior management of the Company.
Group 2 includes 1 Directors and 1 member of senior management of the Company.
Group 3 includes 3 Directors.

Further details of the Directors' emoluments and the top five highest paid employees required to be disclosed under Appendix D2 to 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

CORPORATE GOVERNANCE REPORT

- 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 FY2023, 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.

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 FY2023 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.

CORPORATE GOVERNANCE REPORT

As at 31 December 2023, male and female employees accounted for approximately 42.8% (FY2022: 39.1%) and 57.2% (FY2022: 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.

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.

Independent Views and Input to the Board

To ensure independent views and input are made available to the Board, the Board (or through its Board committees) ensures the following mechanisms are in place and reviews the implementation and effectiveness of such mechanisms annually:

(i) all Directors should have the required character, integrity, perspectives, skills, expertise and experience to fulfill their roles and are encouraged to express their independent views through Board meetings;

(ii) all Directors are required to declare conflicts of interest (if any) in their roles as Directors and Directors who have material interests shall not vote or be counted in the quorum for the relevant Board resolutions;

(iii) the joint-chairmen of the Board meet with independent non-executive Directors annually without the presence of other Directors; and

(iv) all independent non-executive Directors are required to confirm in writing on an annual basis their compliance of independence requirements pursuant to Rule 3.13 of the Listing Rules.

Corporate Governance Committee

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

The primary duties of the Corporate Governance Committee are:

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

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

CORPORATE GOVERNANCE REPORT

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

During FY2023, 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 2022 Corporate Governance Report was reviewed.

The attendance of the meeting by each member during FY2023 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.

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;

CORPORATE GOVERNANCE REPORT

- 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 FY2023, the Environmental, Social and Governance Committee held three meetings, at which matters in relation to 2022 Environmental, Social and Governance report was reviewed, and the working plan of 2023 Environmental, Social and Governance and supplier's quotation and service scope were discussed.

The attendance of the meeting by each member during FY2023 is as follows:

Name of Directors	**Attended/ No. of meetings**
Mr. Ng Bo Sing	3/3
Mr. Yu Longjun	3/3
Dr. Cheung Wah Keung	3/3

COMPANY SECRETARY

Mr. Law Kwok Chun ("**Mr. Law**") is currently the company secretary of the Company. He plays a leading role in helping the Company to develop and maintain a sound and effective corporate governance framework, in particular, a set of risk management and internal control systems to ensure regulatory compliance, good governance practices and culture are upheld by the Company.

On 21 July 2023, Mr. Law was appointed as the company secretary of the Company, and Ms. Ho Yin Kwan ceased to serve as the joint company secretary of the Company. For details of the change of company secretary, please refer to the announcement of the Company dated 21 July 2023.

Mr. Law joined the Group in 2014 and promoted to senior finance manager of the Company in 2019. Mr. Law obtained a bachelor degree of Business Administration in Accounting in the Hong Kong Metropolitan University; he is a fellow member of the Certified Public Accountants of Australia and is a registered Certified Public Accountant of Australia. Mr. Law has over 14 years of experience in accounting and financial reporting; and has experience and knowledge in the company secretarial and corporate governance fields. Mr. Law possesses the relevant experience as required under note 2 to Rule 3.28 of the Listing Rules. Mr. Law 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.

CORPORATE GOVERNANCE REPORT

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 2023 amounted to HK$2.12 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	1.90
Non-audit services	0.22
Total	2.12

The non-audit services mainly comprised the tax compliance and certain agreed-upon-procedure works.

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 116 to 120.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the Group's systems of risk management and internal control, and the review of 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 is satisfied that the Company has complied throughout the year with all applicable code provisions of the CG Code, other than that in respect of the separate roles of chairman and chief executive officer as explained in this report.

Risk Management

The Board inculcates appropriate risk culture across the Group's business operations. Its 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 system. The Group adopts a "top-down and bottom-up" approach involving regular input from each core business as well as discussions and reviews by the executive Directors and the Board. It has also established a risk management policy which sets out the process of identification, evaluation and management of the principal risks affecting the business.

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

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

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

CORPORATE GOVERNANCE REPORT

Risk Factors

The Group's business, financial condition and results of operations are subject to various business risks and uncertainties. The factors set out below are those that the Group believes could result in the Group's financial condition or results of operations differing materially from expected or historical results. There may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Economy Risks

The Group is exposed to the developments in the local and overseas economy as well as developments in the industries and geographical markets in which it operates. As a result, the Group's financial condition and results of operations may be influenced by the general state of the economy. Any significant decrease in the level of economic growth could adversely affect the Group's financial condition or results of operations.

In general, volatility in the US and worldwide credit and financial markets, fluctuations in commodity prices and rising energy costs, mounting inflationary pressures, increasing geopolitical risks and political turbulence have all contributed to the increased uncertainty of the economic prospects and dampen economic growth.

Cyber Security Risks

Cyber attacks, including through the use of malware, computer viruses, dedicated denial of services attacks, credential harvesting and other means for obtaining unauthorised access to or disrupting the operation of the networks, systems and database of the Group or its suppliers, vendors and other service providers, could have an adverse effect on the Group's business, operations and reputation. Cyber attacks may cause equipment failures, loss or leakage of data, including personal data of customers or employees and technical and trade information, as well as disruptions to the Group's or its customers' operations. Corporate cyber attacks have increased in frequency, scale and severity in recent years. Further, the perpetrators of cyber attacks are not restricted to particular groups or persons. These attacks may be committed by company employees or external parties operating in any geography, including jurisdictions where law enforcement measures to address such attacks are unavailable or ineffective, and may even be launched by or at the behest of nation states. The measures deployed by the Group may not be able to prevent, eliminate or minimise the risks associated with cyber attacks.

Any operational impacts caused by cyber attacks to the networks, systems and database of the Group or its suppliers, vendors and other service providers, even for a limited period of time, may result in costly remedial expenses and/or a loss of business. The costs required to remedy a major cyber attack on the Group could include expensive incentives to certain existing customers and business partners, increase expenditures on cyber security measures and the use of alternate resources. The Group may also suffer a loss of revenue owing to business interruption and claims from regulators and other third parties. The potential costs associated with these attacks could exceed the insurance coverage the Group maintains. In addition, a compromise of security or leakage of data, such as personal data and technical and trade information, could result in third party claims and/or regulatory claims or investigations. Any of these occurrences could damage the Group's reputation, adversely impact customer and investor confidence, and materially and adversely affect the Group's financial condition and results of operations.

CORPORATE GOVERNANCE REPORT

Internal Control

Group structures covering all subsidiaries and associated companies are maintained and updated on a timely and regular basis.

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 2023. 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 FY2023, the risk management and internal control system and procedures of the 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.

The Group has established procedures in handling and dissemination of inside information in an accurate, secure and timely manner, so as to avoid possible unauthorised access and mishandling of inside information within the Group.

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.

CONSTITUTIONAL DOCUMENTS

For the year ended 31 December 2023, no change had been made to the Memorandum and Articles of Association of the Company.

INVESTOR RELATIONS

General Meetings and Shareholders' Rights

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

In accordance with the Articles of Association, an extraordinary general meeting shall be convened either by the Board or on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or 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.

CORPORATE GOVERNANCE REPORT

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 2023 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.

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 FY2023.

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 FY2023 are set out on pages 121 to 204 of this annual report.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK6.16 cents per Share and a final special dividend of HK4.42 cents per Share for FY2023, which amounted to an aggregate of HK$78.8 million, subject to the approval of the Shareholders at the forthcoming annual general meeting. This proposed pay-out, together with the interim dividend of HK2.00 cents per Share paid on 14 September 2023, would give a total dividend of HK12.58 cents per Share for FY2023 (FY2022: HK22.70 cents per Share). Subject to the Shareholders' approval at the 2024 AGM to be held on Monday, 27 May 2024, it is expected that the final dividend and the final special dividend shall be paid to the Shareholders on or before Tuesday, 18 June 2024.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the AGM

The register of members of the Company will be closed from Wednesday, 22 May 2024 to Monday, 27 May 2024, 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 2024 AGM. In order to be eligible to attend and vote at the 2024 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 p.m. on Tuesday, 21 May 2024.

REPORT OF THE DIRECTORS

Entitlement to the proposed Final Dividend and Final Special Dividend

The proposed Final Dividend and Final Special Dividend are subject to the approval of the Shareholders at the 2024 AGM. The register of members of the Company will be closed from Monday, 3 June 2024 to Thursday, 6 June 2024, both days inclusive, during which no transfer of Shares will be registered, for the purpose of ascertaining Shareholders' entitlement to the proposed Final Dividend and Final Special Dividend. All transfer documents accompanied by the relevant share certificates must be lodged 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 p.m. on Friday, 31 May 2024.

RESERVES

Details of the movement in the reserves of the Group and of the Company during FY2023 are set out on page 124 to 125 of this annual report.

DISTRIBUTABLE RESERVES

At 31 December 2023, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act, amounted to RMB339,110,000 (at 31 December 2022: RMB335,650,000), of which HK$78,793,704 has been proposed as a final dividend and special dividend for the year.

BUSINESS REVIEW

A review and discussion of the Group's business during FY2023 is set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and Environmental, Social and Governance Report in this annual report.

RELATIONSHIP WITH STAKEHOLDERS

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

SHARE CAPITAL

Details of the movements in share capital of the Company during FY2023 are set out in note 26 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During FY2023, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities.

REPORT OF THE DIRECTORS

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 "Board of Directors and Senior Management" in this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business, to which the Company or its subsidiaries was a party and in which a Director or his or her connected entity has or had a material beneficial interest, whether directly or indirectly, subsisted at 31 December 2023 or at any time during FY2023.

REPORT OF THE DIRECTORS

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 FY2023 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 FY2023 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 FY2023.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the Directors and senior management of the Group is 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 8 and 9 to the consolidated financial statements of this annual report.

For FY2023, 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 FY2023.

Save as disclosed above, no other payments have been made or are payable, for FY2023, 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 FY2023.

The independent non-executive Directors have reviewed the Non-Compete Undertaking and confirmed that no Covenantor had beached the Non-Compete Undertaking during FY2023.

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 FY2023.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as set out below, the Company has not entered into any equity-linked agreement in FY2023.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during FY2023.

LOAN AND GUARANTEE

During FY2023, 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 2023, 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:

Long Position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares	Total	Approximate percentage of shareholding *(Note 1)*
Mr. Ng	Beneficial owner	10,404,580		
	Interest of a controlled corporation *(Note 2)*	117,669,156	128,073,736	17.20%
Mr. Lau	Beneficial owner	17,513,288		
	Interest of a controlled corporation *(Note 3)*	154,413,522	171,926,810	23.09%
Ms. Low	Beneficial owner	20,300,521		
	Interest of a controlled corporation *(Note 4)*	41,854,717	62,155,238	8.35%
Mr. Chan	Beneficial owner	28,614,264		
	Interest of a controlled corporation *(Note 5)*	32,196,651	60,810,915	8.17%

Notes:

1. The percentages of shareholding in this table were computed based on the number of issued Shares as at 31 December 2023, being 744,742,000 Shares.

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 32,196,651 Shares are held by Brightly Sky, which is wholly-owned by ACT Partners. ACT Partners is in turn wholly-owned by Mr. Chan. Under the 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 2023, 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:

Long Position in the Shares

Name of Shareholder	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding** *(Note 1)*
Activation Investment	Beneficial owner *(Note 2)*	117,669,156	15.80%
NBS Holdings	Interest of a controlled corporation *(Note 2)*	117,669,156	15.80%
Chung Wing Ting（鍾穎婷）	Interest of spouse *(Note 3)*	128,073,736	17.20%
Aurora Activation	Beneficial owner *(Note 4)*	154,413,522	20.73%
Dashing Fortune	Interest of a controlled corporation *(Note 4)*	154,413,522	20.73%
Li Meixuan（李美璇）	Interest of spouse *(Note 5)*	171,926,810	23.09%
Aide Zhongxin	Beneficial owner	46,554,906	6.25%
Activation One	Beneficial owner *(Note 6)*	41,854,717	5.62%
Step Mind Enterprises Limited	Interest of a controlled corporation *(Note 6)*	41,854,717	5.62%
RAYS Capital Partners Limited	Investment manager *(Note 7)*	67,140,298	9.02%
Asian Equity Special Opportunities Portfolio Master Fund	Beneficial owner *(Note 7)*	52,140,298	7.00%
RUAN David Ching Chi	Interest of a controlled Corporation *(Note 7)*	67,140,298	9.02%

REPORT OF THE DIRECTORS

Notes:

1. The percentages of shareholding in this table were computed based on the number of issued Shares as at 31 December 2023, being 744,742,000 Shares

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 and NBS Holdings are 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 ultimately controlled by Mr. Lau through Dashing Fortune. Under the SFO, Mr. Lau and Dashing Fortune are 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 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 and Step Mind Enterprises Limited are deemed to be interested in the Shares held by Activation One.

7. These 67,140,298 Shares comprise (1) 52,140,298 Shares held by Asian Equity Special Opportunities Portfolio Master Fund, which is wholly owned by RAYS Capital Partners; (2) 15,000,000 Shares held by other investors of RAYS Capital Partners. 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.

SHARE SCHEMES

Share Option Scheme

2019 Share Option Scheme

The Company has adopted a share option scheme (the "**2019 Share Option Scheme**") on 29 December 2019. A summary of the principal terms of the rules of the 2019 Share Option Scheme was set out in the annual report of the Company for the year ended 31 December 2022. The 2019 Share Option Scheme was subsequently terminated on 16 May 2023. Since the adoption of the 2019 Share Option Scheme and up to its termination, no share option was granted, exercised, outstanding, cancelled or lapsed under the 2019 Share Option Scheme.

2023 Share Option Scheme

In light of the amendments to Chapter 17 of the Listing Rules which came into effect on 1 January 2023, the Company terminated the 2019 Share Option Scheme and adopted a new share option scheme (the "**2023 Share Option Scheme**") pursuant to the resolutions passed by the Shareholders at the annual general meeting of the Company held on 16 May 2023. The 2023 Share Option Scheme shall be valid and effective for a period of ten years from its adoption date. The remaining life of the 2023 Share Option Scheme is approximately nine years.

REPORT OF THE DIRECTORS

Set forth below is a summary of the principal terms of the 2023 Share Option Scheme:

(a) Participants

The Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

(i) any employee (whether full time or part time, including any executive director, but excluding any non-executive director) of the Company or any of its subsidiaries (and including persons who are granted options or awards as an inducement to enter into employment contracts with these companies) (the "**Employee Participant(s)**");

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

(iii) any director or employee of the holding companies, fellow subsidiaries or associated companies of the Company (the "**Related Entity Participant(s)**").

((i) to (iii) above shall collectively be referred to as the "**Eligible Participant(s)**")

The eligibility of any of the Eligible Participants to an offer shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of the Group with reference to, among other things, the role and position of each Eligible Participant and the circumstances and business needs of the Company at the time of the offer.

(b) Purpose

The purposes of the 2023 Share Option Scheme are (i) to enable the Company to grant options to the Eligible Participants as incentives or rewards for their contribution to the growth and development of the Group; (ii) to attract and retain personnel to promote the sustainable development of the Group; and (iii) to align the interest of the grantees with those of the Shareholders to promote the long-term financial and business performance of the Company.

(c) Maximum entitlement of each participant

Where any grant of options to a grantee under the 2023 Share Option Scheme would result in the Shares issued and to be issued upon exercise of all options or awards granted and proposed to be granted to such person under the 2023 Share Option Scheme and any other Share Schemes in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of Shares in issue (being the maximum entitlement of each Eligible Participant under the 2023 Share Option Scheme), such grant must be separately approved by Shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person of the Company) abstaining from voting.

REPORT OF THE DIRECTORS

Where any grant of options to an independent non-executive Director or a substantial Shareholder or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options and awards granted to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue, such grant of options must be approved by the Shareholders in general meeting, with the grantee, his associates and all core connected persons of the Company be abstained abstain from voting in favour at such general meeting.

(d) Exercise period

An option may be exercised by the grantee at any time or times (a) during the period to be determined and notified by the Directors to the grantee (which may not be later than 10 years from the offer date of that option); or (b) in the absence of such determination, from the date of the offer to the earlier of (i) the date on which such option lapses under the provisions of the 2023 Share Option Scheme; and (ii) 10 years from the offer date of that option.

(e) Vesting period

The vesting period in respect of any option granted under the 2023 Share Option Scheme (the "**Vesting Period**") shall be determined by the Directors, or the Remuneration Committee (as the case may be), with reference to, among other things, the position and role of the Eligible Participant and the purpose of the relevant grant. For the avoidance of doubts, there is no fixed vesting period which is applicable to all the grants under the 2023 Share Option Scheme.

The Vesting Period in respect of any option granted to any Eligible Participant shall not be shorter than 12 months from the date of acceptance of the offer, provided that, where the Eligible Participant is an Employee Participant, the Remuneration Committee (where an Employee Participant is a Director or a Senior Manager) or the Directors (where an Employee is not a Director nor a senior manager) shall have the authority to determine a shorter vesting period, if the Remuneration Committee (or, as the case may be, the Directors) consider that a shorter vesting period is appropriate to align with the purpose of the 2023 Share Option Scheme, including only where:

(i) grants of options to Employee Participants who newly joined the Group to replace the share options they forfeited when leaving the previous employers;

(ii) grants of options with performance-based vesting conditions provided in the 2023 Share Option Scheme, in lieu of time-based vesting criteria; or

(iii) grants that are made in batches during a year for administrative or compliance reasons, which may include options that should have been granted earlier but had to wait for a subsequent batch, in such cases, the Vesting Period may be adjusted to take account of the time from which the options would have been granted if not for such administrative or compliance requirements.

REPORT OF THE DIRECTORS

(f) *Payment on acceptance of options under the 2023 Share Option Scheme*

To accept the grant of options under the 2023 Share Option Scheme, Eligible Participant shall pay a consideration of HK$1.00 to the Company for the grant of options within such time as may be specified in the offer (which shall not be later than 21 days from the offer date).

(g) *Exercise price*

The exercise price in respect of any option will be a price determined by the Directors, but shall not be less than the highest of:—

(i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer; and

(iii) (where applicable) the nominal value of a Share.

Further details of the 2023 Share Option Scheme were set out in the circular of the Company dated 21 April 2023.

Since the adoption of the 2023 Share Option Scheme and up to 31 December 2023, no share option was granted, exercised, outstanding, cancelled or lapsed under the 2023 Share Option Scheme.

The total number of Shares available for issue under the 2023 Share Option Scheme and any other Share Schemes shall not exceed 74,474,200 Shares, being 10% of the total number of issued Shares as at the date of this report.

As at 1 January 2023, the total number of Shares available for issue under the 2019 Share Option Scheme was 74,474,200 Shares. As at 31 December 2023, the number of shares that may be issued in respect of options and awards granted under the 2023 Share Option Scheme and other Share Scheme(s) pursuant to the scheme mandate granted by the Shareholders on 15 May 2023 (the "**Scheme Mandate**") was 74,474,200 Shares.

REPORT OF THE DIRECTORS

Share Award Plan

The share award plan of the Company was approved and adopted by the Board on 30 March 2020, and amended pursuant to the resolutions passed by the Shareholders at the annual general meeting of the Company held on 16 May 2023 for the purpose of, among other things, reflecting the latest changes and requirements under Chapter 17 of the Listing Rules (the "**Share Award Plan**").

As at 31 December 2023, a total of 24,792,684 awarded Shares had been granted pursuant to the Share Award Plan, and no awarded Shares has been vested or lapsed. A summary of the Share Award Plan is set out below:

(a) Purpose

The purpose of the Share Award Plan is to (a) recognise and reward the contribution of certain Eligible Participants to the growth and development of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group; and (b) to attract suitable personnel for further development of the Group.

(b) Participants

Eligible Participants of the Share Award Plan shall include (i) any Employee Participant; (ii) any non-executive directors (including independent non-executive directors) of the Company or any of its subsidiaries; and (iii) any Related Entity Participant.

(c) Administration

The Share Award Scheme may be subject to the administration of the Board and the trustee in accordance with the scheme rules and the trust deed.

(d) Maximum Limit

Unless expressly approved by the Shareholders in general meeting and expressly allowed by the Stock Exchange, no awards may be granted under the Share Award Plan if the grant of such award will result in: (i) the total number of Shares issued and to be issued in respect of options or awards granted under the Share Schemes to exceed 74,474,200 Shares; (ii) the total number of Shares issued and to be issued in respect of all options or awards granted to any Eligible Participant in the 12-month period to exceed 7,447,420 Shares (being 1% of the issued share capital of the Company); and (iii) the total number of Shares issued and to be issued in respect of all options or awards granted to any Director or chief executive of the Company or any of their respective associates in the 12-month period to exceed 744,742 Shares (being 0.1% of the issued share capital of the Company).

REPORT OF THE DIRECTORS

(e) Vesting Period of Awarded Shares Granted

The vesting period of the Awards shall be not less than 12 months, subject to a shorter vesting period at the discretion of the Board in accordance with the rules of the Share Award Plan.

(f) Consideration on Acceptance of awarded Shares

No consideration shall be payable by the grantees on acceptance of awarded Shares under the Share Award Plan

(g) Basis of Determining the Purchase Price of Shares Awarded

No purchase price shall be payable by the grantee in respect of the Shares awarded to them under the Share Award Plan.

(h) Remaining Life of the Share Award Plan

Subject to any early termination as may be determined by the Board pursuant to the scheme rules, the Share Award Plan shall be valid and effective for a term of 10 years commencing from 30 March 2020, the date on which the Share Award Scheme was adopted. Accordingly, the remaining life of the Share Award Plan is approximately 6 years.

The Company has appointed Teeroy Limited as the trustee (the "**Trustee**") to assist in the administration of the Share Award Plan. The 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 share awards upon exercise.

As at 31 December 2023, the number of Shares held by the Trustee for the purpose of the Share Award Plan was 1,817,316 Shares.

REPORT OF THE DIRECTORS

During FY2023, the Company has granted a total of 24,792,684 awarded Shares to the Employee Participants under the Share Award Plan. Detials of which are set out in the table below:

Name/Category of grantees	Date of grant	Average fair value per Share (note 1) HK$	Vesting Period	Closing price of the Shares (note 2) HK$	Number of Awarded Shares: Unvested as at 1 January 2023	Granted during FY2023	Vested during FY2023	Cancelled/ Lapsed during FY2023	Unvested as at 31 December 2023	Performance targets
Directors										
Mr. Lau	8 March 2023	1.06	12 months from the date of grant	1.15	–	1,270,844	–	–	1,270,844	Nil
Mr. Chan	8 March 2023	1.06	12 months from the date of grant	1.15	–	4,211,001	–	–	4,211,001	Nil
Other Employee Participants	8 March 2023	1.06	12 months from the date of grant	1.15	–	5,588,155	–	–	5,588,155	Nil
	5 December 2023	1.13	12 months from the date of grant	1.01	–	13,722,684	–	–	13,722,684	*(note 3)*
					–	24,792,684	–	–	24,792,684	

1. The fair value of the Awarded Shares was determined with reference to the market value of the Shares at the grant date and the Group recognised an equity-settled share-based payment expense of approximately RMB9.8 million for FY2023.

2. It refers to the closing price of the Shares immediately before the date on which the awarded Shares were granted.

3. The awarded Shares were granted to the grantees based on their respective positions, job tenures and/or achievements of performance targets. The Group has in place a performance evaluation mechanism to comprehensively evaluate the performance and contribution of the relevant grantees to the Group. Based on their performance evaluation results, the grantees will receive different levels of ratings which may affect the number of the awarded Shares to be vested in such grantee.

4. All of the awards under the Share Award Plan granted in FY2023 shall be satisfied by existing Shares purchased through on-market transactions and held by the Trustee in accordance with the Share Award Plan and the terms of the trust deed. No new Shares will be issued in respect of the awards granted under the Share Award Plan during FY2023.

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 28 to the financial statements.

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

As at 1 January 2023, there was no scheme mandate available for Shares to be issued pursuant to the share awards granted under the Share Award Plan. As at 31 December 2023, the number of Shares that may be issued in respect of options and awards granted under the Share Award Plan and other Share Scheme(s) pursuant to the Scheme Mandate was 74,474,200 Shares.

REPORT OF THE DIRECTORS

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

During FY2023, 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 FY2023, the aggregate sales attributable to the Group's five largest clients accounted for approximately 66.6% (2022: approximately 55.9%) of the Group's total sales and the sales to the Group's largest customer included therein accounted to approximately 26.2% (2022: approximately 28.5%). During the year, the largest supplier accounted for approximately 5.3% (2022: approximately 6.4%) of the Group's purchases and the five largest suppliers of the Group accounted for approximately 19.6% (2022: approximately 20.1%) 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 2023, the Group had 243 employees (2022: 261), 20 of which are headquarter staff, 105 employees were responsible for experiential marketing, 95 employees were responsible for digital and communication marketing, 13 employees were responsible for IP development, and 10 employees were responsible for administrative support. The Group entered into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

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

RETIREMENT BENEFITS SCHEME

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

REPORT OF THE DIRECTORS

CHARITABLE CONTRIBUTIONS

During FY2023, the Group made charitable contributions totalling RMB30,000.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for FY2023 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 FY2023.

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 FY2023.

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 FY2023 except from the deviation from code provision C.2.1 regarding the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As at the date of this annual report, Mr. Lau Kam Yiu, an executive Director, has served as the joint-chairman of the Board and the chief executive officer of the Group.

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 FY2023. The consolidated financial statements for FY2023 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 2024 AGM.

COMPLIANCE WITH LAWS AND REGULATIONS

During FY2023, 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
11 March 2024

Ng Bo Sing
Joint-Chairman

Hong Kong
11 March 2024

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. About This Report

This is the fifth environmental, social and governance ("**ESG**") report ("**ESG Report**", or the "**Report**") published to the public by Activation Group Holdings Limited (the "**Company**", together with its subsidiaries collectively referred to as the "**Group**", "**Activation**" or "**we**"). The purpose of the Report is to report to stakeholders on the Group's management approaches and performance in the environmental and social aspects for 2023, with a view to enhancing stakeholders' understanding of the Group's sustainability efforts.

1.1. Reporting Guide and Principles

The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and in compliance with the provisions of "mandatory disclosure" and "comply or explain" set out therein. In preparing the Report, the Group has disclosed its performance in respect of environmental and social responsibility during the reporting period based on the principles of materiality, quantitative, balance and consistency. The information disclosed herein was sourced from the Group's official documents, statistics or public data.

1.2. Reporting Boundaries and Reporting Period

The boundary of the Report covers the performance of the Group's core businesses in the environmental and social aspects during the reporting period from 1 January 2023 to 31 December 2023 (the "**Reporting Period**" or the "**Year**"). Unless otherwise stated, the Report discloses the businesses under the Group's direct control, and the key performance indicators in the environmental area covers the data from the head office in Shanghai, and the offices in Beijing and Hong Kong.

1.3. Access to the ESG Report

The ESG Report published by the Group is in both English and Chinese versions. In case of any discrepancies, the Chinese version shall prevail.

1.4. Approval of the Report

The Report was approved by the board of directors (the "**Board**") on 11 March 2024 upon confirmation by the management.

1.5. Feedbacks

The Group is committed to consistently improving the disclosure of information in the ESG area. We welcome your suggestions and comments on the contents and development initiatives in our ESG Report.

Contact details: ir@activation-gp.com

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. Sustainability Governance

2.1. Board Statement

The Group understands that the performance of its social responsibility is an indispensable key part of the sustainable development of the Group. Therefore, we have actively established an ESG framework and gradually integrated the concept of sustainability into our strategic planning, daily operations and business decisions. The Group has established a top-down ESG governance structure, under which the Board, acting as the leading body on ESG issues, supervises ESG-related matters, and regularly discusses, approves and reviews the Group's ESG management policies, strategies and risk management plans to continuously improve our ESG governance initiatives and practices, in order to help the Group achieve stable and sustainable development and create long-term value.

The Board regularly reviews ESG-related work plans and the implementation thereof by holding an ESG meeting. The main subject of the meeting on sustainable development is as follows:

- To continuously supervise and discuss the issues on corporate social responsibility and sustainable development of the Group, and formulate detailed ESG work plans;
- To review and discuss the risks and opportunities in respect of the Group's sustainable development;
- To evaluate the impact of the Group's performance in corporate social responsibility and sustainable development on stakeholders.

The Board is fully responsible for the Group's ESG strategies and reporting, and conducts regular assessment of the potential ESG risks faced by the Group, ensuring that an appropriate and effective system for ESG risk management and internal control is in place to effectively implement the strategies and initiatives on the Group's sustainable development. The Board of the Group has reviewed the Report, and confirmed the accuracy, truthfulness and completeness thereof. The Group will continuously assess the impact of its core businesses on the ESG issues and prepare its annual ESG report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.2. ESG Governance Framework

The Group is committed to integrating the concept of sustainable development with its overall strategies, policies and business plans. The Group has established a three-level ESG governance structure from the decision-making level to the execution level. The Board has delegated the ESG Committee to carry out and promote the ESG strategy across the functional departments, so as to ensure the effective implementation of the Group's ESG strategy.

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, formulate and facilitate the implementation of ESG-related management policies through the assessment of the 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 regulatory requirements, as well as monitor and respond to the latest ESG issues.

Functional Departments

- To organise and execute various ESG-related 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 ESG-related policies and systems.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.3. Our Concerns and Practices

ESG Focus Areas	Specific ESG-Related Measures
Customers First and Sustainable Development	The Group consistently maintains service quality and keeps improving its management practices in all aspects of its daily business operations. • Service quality management • Handling of customer complaints • Customer data security and privacy protection • Protection of intellectual property rights
Responsible Business and Steady Operation	The Group highly emphasizes on supply chain and anti-corruption management and is committed to creating a favourable business environment. • Approval and assessment of suppliers • Management of environmental and social risks of the supply chain • Improvement of the anti-corruption supervision system
Valuing Talents and Growing Together	The Group advocates a corporate culture of diversity and equality, and attaches great importance to occupational and personal development of its employees, creating a people-oriented working environment. • Employment compliance • Prohibition of child and forced labour • Protection of employees' rights and interests and benefits • Occupational health and safety • Employee growth and development
Green Operation and Environmental Protection	The Group maintains a sound environmental management system, explores measures for energy saving and emissions reduction, and proactively responds to the risk of climate change, contributing to the green development of the community. • Emissions management • Reduction of energy consumption • Response to climate change
Giving Back to Society and Creating a Better Future Together	The Group cares for the community and walks the talk by encouraging its employees to devote themselves to charitable causes, thus contributing to building a harmonious society. • Organising caring activities in the community • Participation in public welfare

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.4. Stakeholder Engagement

The Group highly values the communication with its stakeholders, including customers, shareholders and investors, employees, business partners, community and NGOs, peers and suppliers. It has established various channels to keep close contact with such stakeholders in order to fully understand their requirements and expectations of the Group, thereby continuously improving the Group's governance practices and initiatives, improving the ESG work plan, and responding to the concerns of the stakeholders by practical actions.

Type of Stakeholders	Main Communication Channel	Communication and Response
Customers	• Customer satisfaction surveys and opinions • Customer consultation groups • Visit by customer relationship manager • Daily operations/ communication • Telephone calls and emails	– Enhancing quality management – Improving communication channels – Optimising management mechanism
Shareholders/ Investors	• Annual general meetings and other general meetings • Interim and annual reports • Corporate communications (e.g. letters/circulars and notices of meetings to shareholders) • Results announcements • Tours for shareholders • Investors' meetings	– Disclosure of the Group's information in accordance with the law – Holding of general meetings – Enhancement of the transparency of information disclosure – Compliant and legal operation
Employees	• Channels for employees to express their opinions (forms, suggestion boxes, etc.) • Performance appraisal • Group discussions • Conference interviews • Seminars/workshops/ lectures • Publications (e.g. Staff Newsletters) • Communication conferences • Staff intranet (e.g. office automation ("**OA**") system) • Public welfare activities	– Enhancement of health and safety management – Provision of a development platform – Establishment of an unbiased promotion system – Caring for employees – Organising team building activities

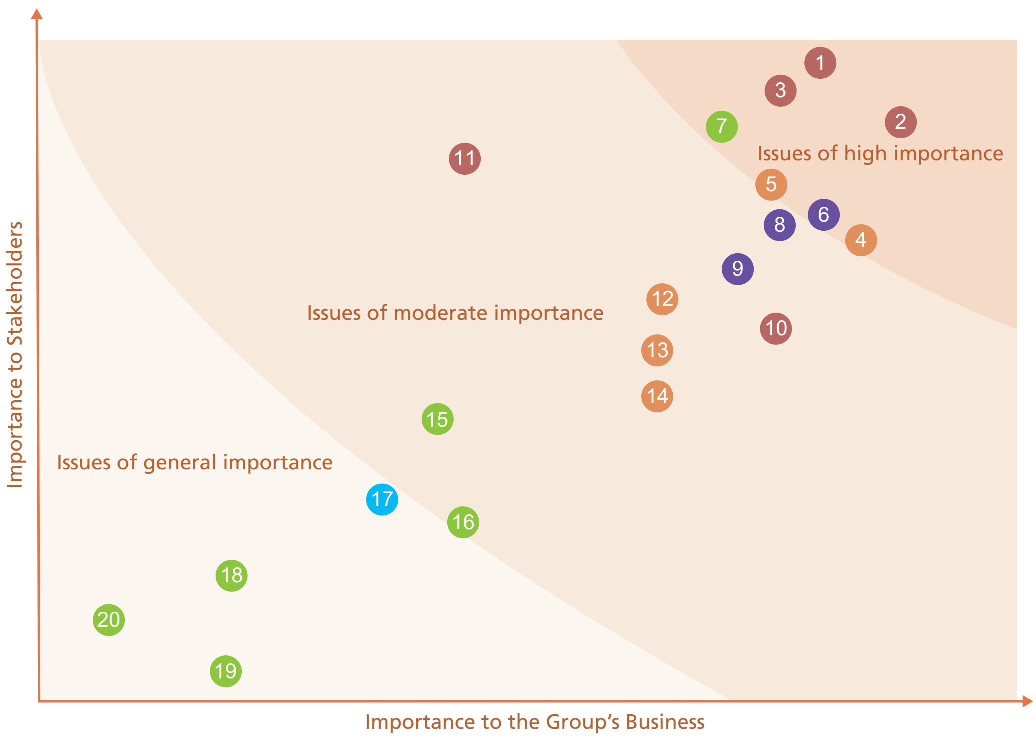
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Type of Stakeholders	Main Communication Channel	Communication and Response
Business partners	• Visits • Talks • Meetings with business partners	– Establishment of a communication platform
Community/ NGOs	• Public welfare activities • Donation	– Organising voluntary services – Promoting the development of community culture – Caring for the Disadvantaged
Peers	• Strategic cooperation projects • Group announcements • Communication conferences	– Insisting on fair competition – Achieving win-win cooperation – Sharing the experience in sustainable development
Suppliers	• Supplier management program • Supplier/contractor assessment system • Meetings with suppliers • Site visits	– Improvement of the management system – Establishment of a communication platform

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.5. Materiality Assessment

Adhering to the materiality reporting principles, the Group regularly communicates with stakeholders to carry out the materiality assessment on ESG issues. By identifying, prioritising and confirming the ESG issues, we have comprehensively identified the importance of ESG issues to the Group's business development and determined key areas to be disclosed, so as to enhance the effectiveness of ESG information disclosure, assist the Group in improving its ESG management level and set ESG management objectives for the next stage. Upon the review and confirmation by the Board, the results of the assessment on the Group's material issues are set out below:



Responsible Operation · Steady Operation · Valuing Talents · Giving Back to Society · Green Operation

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.6. Risk Management

The Group attaches great importance to risk management and keeps deepening the management of internal control, by formulating internal institutional documents such as the Table for Risk Identification, Evaluation and Countermeasures and the Risk Control System. It regularly reviews the business operations of all departments and keeps improving its risk control process to ensure the efficient operation of its risk management mechanism.

Risk Control Process

We have established a Risk and Opportunity Control system, which specifies the operation requirements in the risk response process including risk hedging, risk reduction and risk acceptance. We have also established comprehensive risk and opportunity management measures and internal control system to enhance our risk resistance. We require relevant departments to conduct risk rating on each potential ESG risk listed in the Table for Risk Identification, Evaluation and Countermeasures and develop corresponding preventive measures to control possible risks as possible as we can. When it comes to adoption of risk strategies, we refer to "risk hedging". When there is a loss as it is impossible to eliminate the risk, no effective ways are available for the time being or the cost of risk elimination is higher than that of the risk existence, we will adopt countermeasures of "risk reduction" or "risk acceptance".

Risk hedging

- Eliminate risks or conditions under which they occur through planned changes, protecting the targets from the risks.
- Reduce the occurrence of loss through prior control and post-remedial measures.

Risk acceptance

- The loss caused by the risk assumed by the company. Generally applicable to those that cause less losses and more repetitive risks.

Risk reduction

- Reduce the damages or losses resulted from risks by adopting measures.

Internal control is a cornerstone for risk management. We plan to progressively adopt ISO9001:2015 and ISO14001:2015 for internal management, continue to review our risk profile, as well as 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. Customers First

"Customers first" is the way of business management and development. As a professional marketing service provider, the Group has excellent capabilities to deliver marketing strategies and creative planning. Since we fully understand that quality service is an important bridge to maintain good communication between the company and customers, it is our long-term pursuit to satisfy our customers' needs and enhance their satisfaction by innovating and striving for excellence.

3.1. Service Quality Management

As a leading interactive data performance marketing group for pan-fashion brands in Greater China, the Group's customers are mainly from global high-end brands, with business covering, experiential marketing, digital marketing and brand promotion, media public relation, sports marketing, brand positioning and other cross-media integrated marketing communications, as well as e-commerce services, IP operation, etc. In order to better serve its customers, the Group pays great attention to the building of talent team, which is relevant to service quality. Under the Human Resources Management System, the Group develops and implements training programmes, aiming to enhance the quality awareness of all employees and improve the operation skills of employees at key quality positions, so as to ensure that the Group's quality management system runs effectively.

In respect of business, the Group has formulated the Design and Development Control System to control the whole process of plan design. After entering into a service agreement with a customer, we will actively analyse the information on the customer and customize the service according to its specific characteristics, and go through six stages, i.e. design plan, input, output, review, verification and confirmation, in order to ensure that the service meets the safety standards and satisfies the customer's expectations as well as complies with the requirements of relevant laws and regulations.

In addition, the Group closely monitors the quality of services and the subsequent improvement process of the entire project by formulating internal documents such as the Monitoring, Measurement, Analysis and Evaluation Control System, the Non-conforming Output Control System and the Continuous Improvement Control System. It accurately grasps the applicability and effectiveness of the prevailing quality system through data-based management, and extensively collects the feedbacks from various departments of the Group in the process of service delivery, tracking down the sources thereof and analysing the causes, so that any defects are identified and predicted in a timely manner to prevent any problem before it happens. Meanwhile, substandard materials, substandard services and non-conformity can be effectively controlled and improved to ensure that the quality control measures are implemented effectively.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.2. Handling of Customer Complaints and Satisfaction

The Group highly values customers' feedback and customers' recognition is an inexhaustible driving force for our sustainable development. We have an established customer service system in place, including the Sales Service Specifications, the Customer Complaints Management Regulations and the Measurement Procedures for Customer Satisfaction, which integrates, summarises and analyses the feedbacks collected, so as to monitor the level of customer satisfaction or areas for improvement, and make strategic adjustments accordingly.

The Group is committed to deepening our services in all areas and listening to its customers via a series of channels such as telephone calls, emails and meetings in order to build a close relationship between our customers and us. We respond to customers' comments and suggestions in a timely manner and make regular visits to continuously enhance customer satisfaction and increase customer stickiness. Once we receive any feedback from customers, including opinions on unsubscribing services due to failure to meet the customer inspection standard, we will conduct an independent investigation on each complaint case and then report to customers the cause of the problem and propose solutions as soon as possible. In addition, we also strengthen internal communication and conduct regular review of customer cases to keep improving our service standards.

During the Reporting Period, the Group has not received any complaints about its products or services.

3.3. Protection of Intellectual Property Rights

The Group strictly complies with 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 relevant laws of the Hong Kong Special Administrative Region. In conducing the business activities that may involve intellectual property rights, we have taken active and effective measures to protect corporate business secrets and proprietary technologies, including, among others, making patent applications in a timely manner, specifying the terms to protect intellectual property rights in business contracts, and instituting legal proceedings against the business practices infringing intellectual property rights.

During the Reporting Period, the Group had 49 existing registered trademarks and 36 software copyrights.

3.4. Responsible Marketing

The Group strictly complies with the requirements of laws and regulations such as the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and industry standards. Based on the principles of compliance, comprehensiveness and effectiveness in business promotion, the Group makes every effort to ensure that advertising and commercial promotion activities are truthful and eliminates any false advertising that may mislead consumers. In order to raise the awareness of compliant marketing of the Group's personnel, we have formulated the Sales Service Specifications to regulate the sales service behaviour of our employees. We carry out reviews from time to time to ensure that the information provided to public is legal, true and accurate.

During the Reporting Period, the Group has not been involved in any false marketing that may mislead consumers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.5. Protection of Customer Privacy

The Group places great emphasis on the protection of customer privacy and 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 and other relevant laws and regulations as well as industry code of conduct. Internally, we have formulated the Information Security Management System, and also specified the details on the protection of customer information in the Staff Handbook and the labour contracts with the employees, as well as launched confidentiality training on a regular basis. By taking such measures, we aim to protect corporate business secrets and customer privacy from various aspects of data storage, data access rules, asset management, confidentiality policy, employees' awareness and etc., to eliminate potential violations.

During the Reporting Period, there was no violation of laws and regulations and leakage of information or loss of data.

3.6. Health and Safety of Services

The Group focuses on safety management in its business activities and always puts safety in top priority in activities planning. We are committed to providing a safe, efficient and comfortable working environment and services to all customers, partners and employees. We strictly comply with relevant laws and regulations and have established a safety management system for the preparation and planning process of our projects, including the formulation of a work safety plan and an emergency rescue plan to cope with possible emergencies.

In providing exhibition and marketing services, we implement safety measures in a full range, including proper goods storage and handling, provision of appropriate handling equipment and tools, ensuring that the requirements of the production environment are met, as well as provision of protective conditions and facilities for storage, in order to protect the safety and interests of our customers and participants.

During the Reporting Period, there were no safety incidents in the Group's business activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

"Safety First" — Project Preparation and Planning Process

- Negotiating and communicating with customers on an ongoing basis;
- Obtaining consent from customers before starting, to ensure that all aspects of the event meet customers' requirements and safety standards;
- Complying with the Administration Regulations on Security of Large-scale Mass Activities (《大型群眾性活動安全管理條例》) and conscientiously performing and assuming the safety responsibility as an event planner;
- Applying for a safety permit and establishing a safety work plan for each large-scale event, and planning the number, positions and workflow of safety staff in advance;
- Formulating safety operation guides to ensure the implementation of safety measures;
- Establishing and strictly following an emergency rescue plan, to effectively control emergencies

4. Responsible Business Operation

4.1. Supply Chain Management

The Group focuses on supply chain management by formulating specific strategic planning, rationalising the design of supply chain network and strengthening collaborative management of the supply chain. We conduct performance appraisal and risk management on the supply chain to enhance the operational efficiency of the supply chain, reduce cost and improve product quality. We strictly monitor the business dealings with suppliers and actively perform relevant codes of conduct together with them so as to build a green and sound supply chain system that is sustainable in the long term.

4.1.1. Approval and Management of Suppliers

The Group strictly manages the approval of suppliers. In particular, it evaluates suppliers in terms of their qualifications, corporate risks, quality of raw materials and environmental standards, etc. in compliance with internal systems such as the Procurement Process and the Supplier Evaluation and Procurement Control Procedures, and only the qualified suppliers may be included in the Qualified Supplier List. In addition, the Group conducts follow-up reviews of suppliers in accordance with the Qualified Supplier Evaluation Form for scoring each year, and considers whether to keep their qualification based on the scores. Always upholding good business ethics, the Group has signed the Anti-Commercial Bribery Agreement with suppliers in business practices, determinedly rejecting unlawful acts and refusing improper benefits, so as to jointly safeguard a clean and honest business environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.1.2. Promotion of Green Procurement

Taking into account the characteristics of the industry, the Group has developed the Green Procurement System to screen and select green suppliers in terms of environmental protection, raw materials, production process and social responsibility, etc. The Group will give priority to enterprises who are rated by the environmental protection authorities as Environmental Integrity Enterprise or Environmentally Friendly Enterprise. Meanwhile, during the procurement, the Group requires suppliers to specify the information on their green supply chain management in the procurement contracts. For suppliers whose environmental performance is better than the environmental requirements as provided in the procurement contracts in terms of technological advancement, production, circulation and sales, the Group may, as the case may be, incentives them by raising the purchase price moderately, increasing the quantity of purchases and shortening payment period, etc. These measures aim to create a green supply chain together with suppliers while taking into account both economic and environmental benefits. The Group keeps paying attention to the environmental and social performance of suppliers. In addition to environmental requirements, the Group also sets out the requirements on labour, intellectual property rights and information confidentiality, etc. in the contracts with its suppliers.

During the Reporting Period, the Group had a total of 22 major suppliers, of which 17 were located in Shanghai, China, 3 in Jiangsu, China and 2 in Beijing, China. The procurement categories mainly included products and services of lighting, audio and construction. The aforementioned supplier policies and practices are being implemented on all of the Group's major suppliers.

4.2. Anti-corruption Management

4.2.1. Upholding the Rule of Law

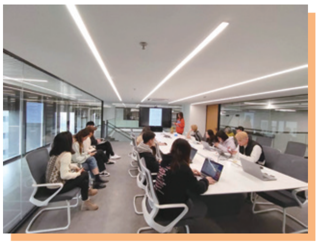
Activation Group adopts a zero-tolerance attitude towards corruption and strictly complies with national and regional laws and regulations related to anti-corruption and bribery, including the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), the Interim Provisions on 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. Upholding the rule of law aims to establish a clean and transparent corporate culture so that employees remain vigilant at all times in performing their duties to ensure integrity and honesty. By developing the Code of Conduct for Employees, the Rules on Reimbursement of Expenses, the Anti-Commercial Bribery Agreement and specific terms and conditions in the supplier contracts, we emphasize the strict requirements on personal conduct, conflict of interest, commercial bribery and improper benefits, so as to build a corporate environment with integrity and honesty.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.2.2. Preventive Measures

Corruption needs to be prevented before it happens. The Group encourages its employees to actively report actual or suspected cases of corruption, bribery and other misconducts in breach of work ethics, and sets out anti-corruption requirements in the labour contracts with its employees. The Group has formulated the Anti-corruption Reporting System and the Internal Review and Control System to support employees to report to the management via a dedicated email address, and has set out in the system a mechanism to protect the identity of whistleblowers so as to keep the identity of whistleblowers confidential. In addition, we have set up whistleblower rewards to encourage employees to report corruption cases. This move purports to emphasise the Group's support and protection of whistleblowers, as well as to handle violations of laws, disciplinary offences and corruption through an effective investigation system.

In addition, the Group understands that creating a workplace free from corruption requires the involvement of our employees. therefore, we have formulated the Anti-corruption Training System, which requires all employees to receive general anti-corruption training at least once a year, and members of the Board and senior management to attend anti-corruption training once every six months in order to strengthen their vigilance and awareness of anti-corruption.



▲ Anti-corruption Training

During the Reporting Period, the Group's anti-corruption training has been extended to all employees.

4.2.3. Stimulating Vitality

In order to root anti-corruption and integrity into the Group, we have not only set up an anti-corruption column on our intranet, but also increased vitality to the Group's cause of integrity through training and promotional videos. We update the anti-corruption and integrity promotional videos from time to time, covering a wide range of aspects such as no irregularities in reviewing and approval, no soliciting or accepting favours, and no designation of materials and equipment without permission, and focusing on remembering our roots and practising integrity. Such specific thematic items and actual cases have not only penetrated the concept of anti-corruption deeply into the minds of employees, but also exerted 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 any relevant laws and regulations that had a significant impact on the operation of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. Valuing Talents

We value and respect each and every employee and, in strict compliance with the law, we endeavour to provide each employee with a fair and stable working environment full of opportunities for development.

5.1. Employment Compliance

The Group adheres to the principle of fair and equal employment and strictly complies with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Prohibition on the Use of Child Labour (《禁止使用童工規定》), the Law of the People's Republic of China on the Protection of Juveniles (《中華人民共和國未成年人保護法》), the Employment Ordinance of the Hong Kong Special Administrative Region, and other relevant laws and regulations in the places where the Group operates. It also keeps strengthening the development of internal systems through internal audits and evaluations to ensure that the Group and its companies conduct operation and management in a legal, compliant and effective manner.

In respect of the prevention of child and forced labour, the Group has introduced the Policies and Procedures for Prevention of Child and Forced Labour and the Measures to Be Taken upon Detection of Child or Forced Labour for the purpose of the labour laws, which establish strict compliance control procedures, strictly control the recruitment process and prohibit any form of forced labour. We have clear recruitment process and carefully verify the identity of applicants during recruitment, so that only candidates of legal working age are employed. We also require employees not to introduce minors for employment. In the event that it is found that child labourers are employed by mistake, the Group will adopt remedies immediately to ensure that they return to their homes safely. The Group also requires suppliers to abide by the regulations in relation to child or forced labour.

During the Reporting Period, the Group did not have any cases of non-compliance related to employment and use of child labour or forced labour.

5.2. Employee Rights and Interests

The Group endeavours to create a harmonious and inclusive working environment by adopting various measures to protect employees' rights and interests, focusing on safety and health, and continues to intensify the introduction, reserve and training of key core talents to provide career development opportunities for each employee.

In order to specify the rights and interests of our employees, we have formulated internal system documents, including the Employee Handbook and the Attendance Management, which, based on the concept of people-oriented management, regulate the daily office management and stipulate the code of conduct of employees, as well as set out the provisions in respect of recruitment, dismissal, remuneration, promotion, working hours, holidays, anti-discrimination, equal opportunities and benefits, etc., so as to ensure that the legitimate rights and interests of our employees are adequately safeguarded. If there is a need for overtime work, it must be approved in writing by the department head in advance and reported to the Human Resources Department for record. The Group will provide time off or overtime compensation in accordance with national regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group firmly eliminates any unfair or unlawful dismissal, and signs the Rescission of the Employment Contract with the resigned employees in strict compliance with the provisions of the Labour Law, to ensure that the termination of employment is reasonable and lawful. By closely monitoring the employee retention rate and turnover risks and providing timely follow-up and feedback, we have adjusted our workforce for the Year with reference to the turnover figures and reasons for employees' departure in the previous year, aiming to better reduce human resources risk and avoid the loss of talents.

During the Reporting Period, the Group valued and safeguarded the rights and interests of its employees and actively provided compensation to its employees. The Group did not have any unfair or unlawful dismissal.

5.3. Salary Promotion, Benefits and Holidays

In order to promote the common growth of employees and the Group, we highly emphasize on the building of talent teams and have established a fair, reasonable and transparent mechanism on performance evaluation. We conduct annual performance evaluation for our employees every year and make performance evaluation criteria public. We also specify the basis for remuneration, year-end bonus and position adjustment in the Employee Handbook. We regularly review the performance of our employees and provide promotion opportunities for those with outstanding performance in order to support their career development.

The Group has developed the Employee Welfare Management System in accordance 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 supplementary medical insurance offered by the Group for full-time employees. We have established a clear reward scheme, specifying the reward rules and forms, to reward their work performance under the principle of fairness and transparency. In addition to generous remuneration and benefits, we also offer comprehensive and flexible leave packages to our employees, 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. In the future, the Group will continue to optimise management system and improve talent acquisition mechanism.

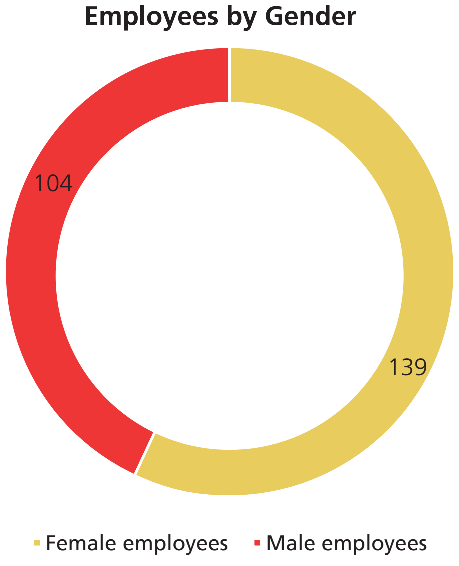
During the Reporting Period, the Group conducted performance evaluation on its employees in a fair, unbiased and open manner, and provided regular promotion opportunities and benefits and leave entitlements for employees.

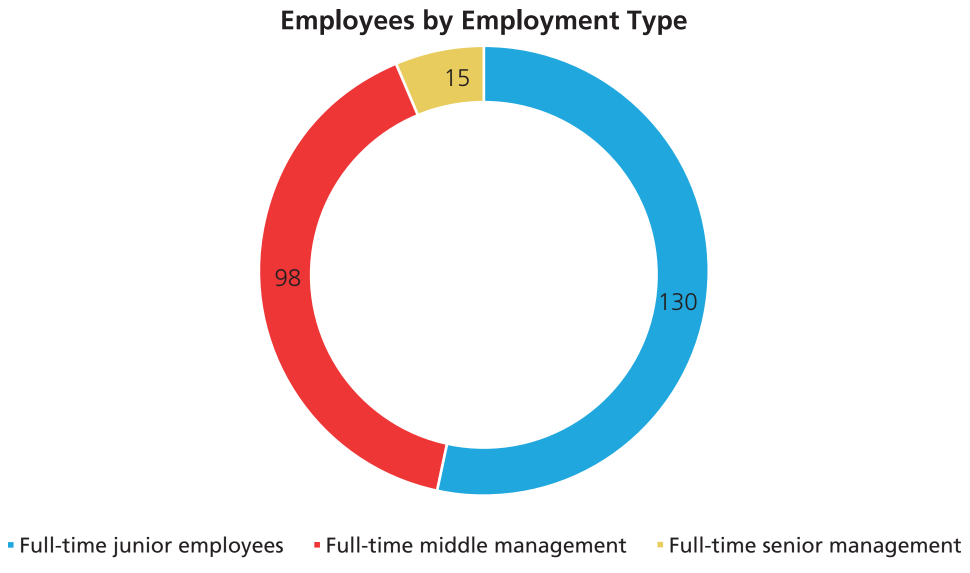
Basic salary	Floating salary	Allowance/welfare
Fixed monthly salary	Performance bonus	Social insurance Housing provident fund Supplementary medical insurance Holiday benefits Annual physical examination Other welfare

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

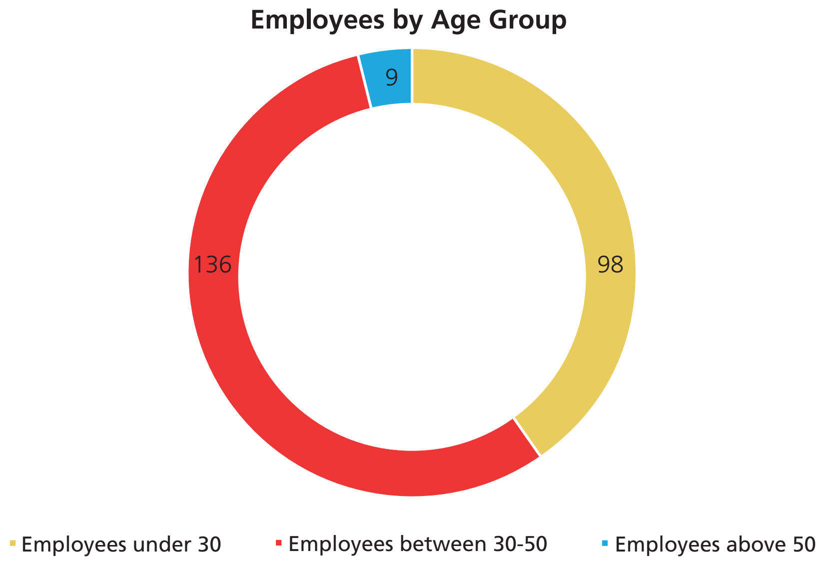
5.4. Employee Profile

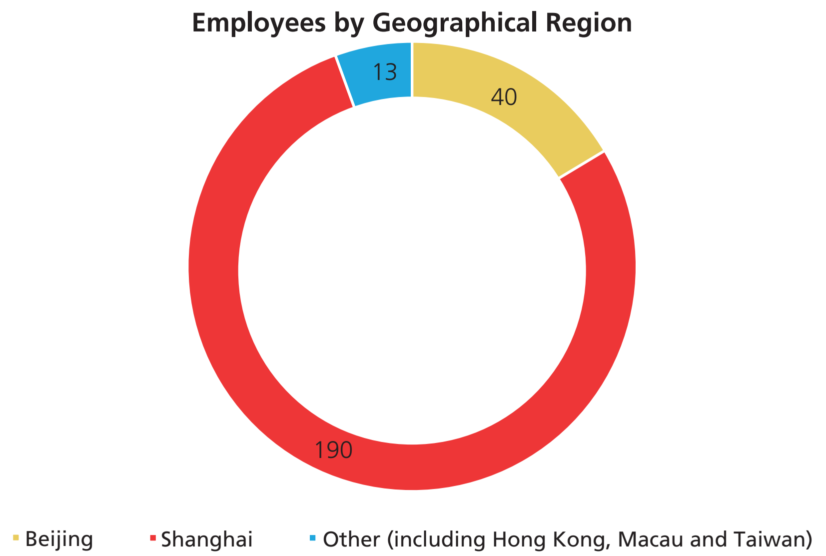
As of 31 December 2023, the Group had a total of 243 employees, including 15 full-time senior management, 98 full-time middle management and 130 full-time junior employees, of which the employees having a bachelor's degree or above accounted for 80.25%. The distribution of different types of employees is set out below:



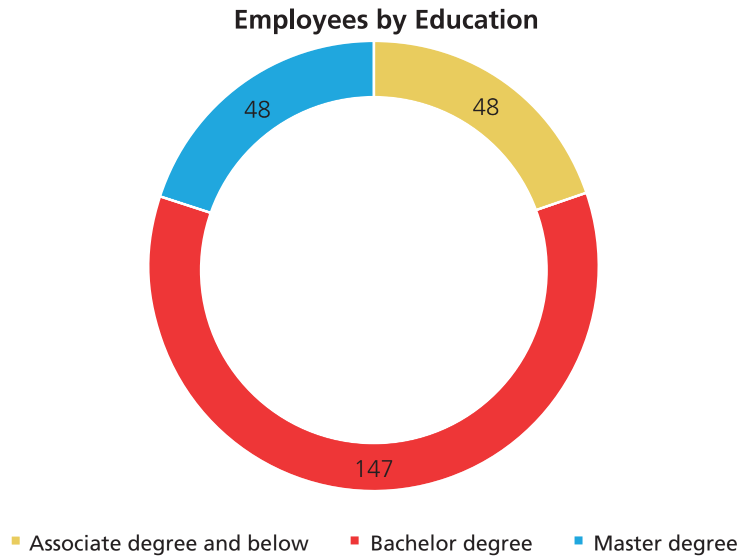


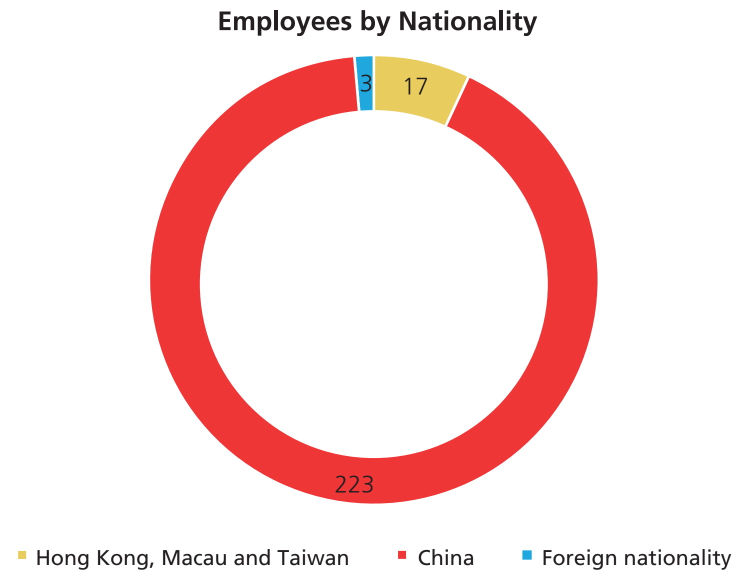
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.5. Employee Growth and Development

The Group cares for the growth and development of its employees and has established a comprehensive talent training system, building a platform for them to realise their self-worth. By developing and implementing training programmes, keeping detailed training records and evaluating their effectiveness, we have provided comprehensive and systematic career development support for our employees.

During the Year, the Group launched a wide range of training programmes covering various areas such as induction training, finance and tax training, information security training, OA system upgrade training, training on the impact of global warming, first aid and fire fighting training, and anti-corruption training, and assessed the effectiveness by way of on-the-spot question-and-answer and drills, with a view to comprehensively upgrading professional skills, business qualities and emergency response capabilities of employees.

Induction training	Artificial intelligence training	ChatGPT practice and experience sharing	Key points of addition and deduction of R&D expenses in tax audit	Information management and information security training (finance training)
Anti-corruption training	Impact of global warming on corporate development	Self-examination and planning of tax-related risks before year-end closing	Analysis of significant tax policies in the first half of 2023	Training on the newly launched OA system – V2
Visit and study at CAFA 2023 Graduation Exhibition	Fire protection training	First aid training	Spinal healthcare seminar and interpretation of pension policy	

Overview of Major Training Programmes

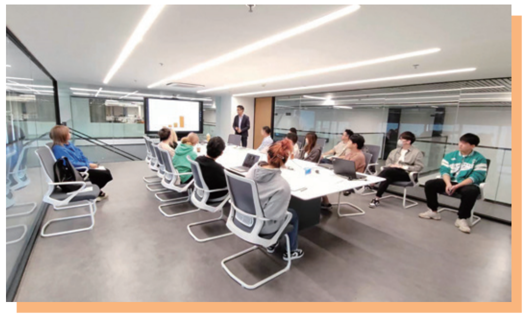
The induction training covers the Company's structure, corporate culture, personnel policies, financial and legal procedures, and OA system application, etc., aiming to provide new employees with comprehensive business and culture cognition. The finance and tax training thoroughly introduces tax-related risk self-examination, addition and deduction of R&D expenses, risk planning before year-end closing and other core items, so as to enhance the sensitivity of the finance team to tax policies and risk management.

The Group also focused on information management and information security training, by providing detailed guidance on operation system security and information security precautions for employees. The training on the newly launched OA system – V2 focused on business, financial and legal affairs, with an emphasis on the use of new modules of the system and the management of projects and contracts, with a view to assisting employees to adapt to the new system efficiently and accurately and improving the level of information management of employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

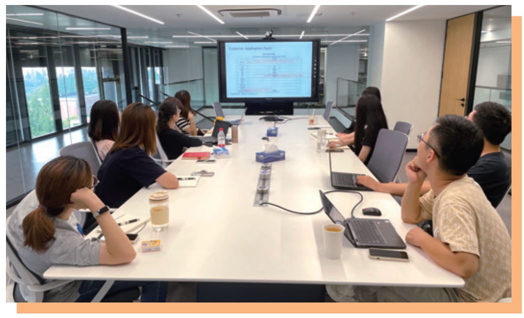
In addition, the training on the impact of global warming on corporate development helped employees recognise the potential risks of climate change on the Company's operations and enhanced their awareness of environmental protection. These training programmes not only paid attention to employees' professionalism, but also focused on developing teamwork and overall professional competence, laying a solid foundation for the Group's overall development.

▲ Induction training



▲ Thematic training – the impact of global warming on corporate development

▲ OA new system training



▲ Information management and information security training

An overview of the Group's employee training during the Reporting Period is as follows:

Indicator	Category	Average Training Hours	Percentage of Employees Trained[1]
By gender	Female employees	4.00	85.61%
	Male employees	4.00	85.58%
By employment type	Full-time junior employees	4.00	80.00%
	Full-time middle management	4.00	90.82%
	Full-time senior management	4.00	100.00%

1 Percentage of employees trained = the number of trained employees in this category/the total number of employees in this category X 100%.

5.6. Occupational Health and Safety

The Group puts the occupational health and safety of its employees on top priority in corporate development and fully implements 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.

In order to effectively prevent and reduce the risks related to occupational safety and health, the Group has formulated a comprehensive Occupational Safety and Health Management System, which specifies the control procedures for activities that may have significant impact on occupational safety and health through planning of hazard identification, risk assessment and risk control, including the formulation of operational procedures and the inspection on implementation, and has established applicable procedures for all activities, so as to ensure that the operation does not deviate from the occupational safety and health policies.

The Group has established contingency plan and response procedures to respond to possible emergencies and to prevent and mitigate the possible impact caused thereby. Through regular internal audits and management reviews, we have continuously improved the occupational safety and health management system to ensure its constant applicability, adequacy and effectiveness. Each department is responsible for relevant records and their management, including, among others, risk control scheme records, training records and audit reports, which provide a reliable basis for the continuous operation of the system.

Physical Examination Service for Employees in 2023

In order to further care for the health of employees and thank them for their long-term efforts and contributions to the development of the Group, the Group issued the Employee Health Examination Manual in 2023 to provide physical examination service for all regular employees, so that each employee can pay full attention to his own health while developing his career, which has laid a solid foundation for the common growth of employees and the Group in the long run. By taking this caring measure, we expect to create a better future together while protecting the health of employees.

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First Aid Training

The Group organises first aid knowledge training for all employees every year. During the Year, we conducted the training on the "First Aid Use of AED Automated External Defibrillator" in order to improve employees' proficiency in using first aid devices. Through the training, employees have not only enhanced their awareness of first aid, but also had a deeper understanding of AED first aid skills in actual simulation exercises and tests.

Fire Training and Drills

The Group attaches great importance to the safety training of employees, ensuring that each employee can respond to emergencies immediately and effectively when needed. In addition to developing an occupational health and safety management system, we organise fire protection training for all employees every year, and on 9 November 2023, we participated in the fire drill organised by the property manager with the theme of "Participating in Fire Protection to Create Safety And Harmony Together". Through practical exercise, employees have got a deeper understanding of fire safety knowledge and improved their ability to respond to emergencies.

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316 Employee Activity Day – Cervical Spine Healthcare

Adhering to the concept of "working healthily and living happily", the Group held a professional seminar on health for employees on 16 March 2023, inviting doctors from rehabilitation medicine department to discuss in depth the knowledge related to cervical spine health, and consultants from Ping An to interpret pension in detail. This event has not only provided professional medical information for employees, but also deepened their knowledge of personal financial planning, striving to create a working atmosphere of caring for employees in a full range.

In the future, we will continue to put efforts to reduce risks related to health and safety and create a safer and healthier working environment, ensuring the physical and mental well-being of our employees.

During the Reporting Period, the Group did not receive any complaints or lawsuits regarding violations of laws related to health and safety, and there were no cases of work-related death in the past three years.

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5.7. Care for Employees

The Group is committed to building a warm working family. We not only provide superior career development opportunities, but also focus on the sense of belonging and happiness of employees. Through various employee activities, we have established close team relationships, so that every employee feels the warmth of home at work. At Activation, everyone is part of the family who creates a happy working environment together.

Employee Birthday Party

The Group consistently cares for its employees, by organizing the Monthly Employee Birthday Party, which is one of our well-planned activities. On the second Friday each month, we organise a group birthday party for employees whose birthdays fall within that month. Through interactive games and gift sharing, we bring our employees closer and care for the physical and mental well-being of each and every one of them.

Women's Day

On the Women's Day this year, the Group prepared special holiday gifts for all female employees to express our care and wishes to them, so that they could feel special care on this holiday full of love and warmth.

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Mid-Autumn Festival

On the Mid-Autumn Festival, the Group sent gifts and sincere wishes to all team members in the form of a family letter. We are grateful to each and every member of the Activation family. Because of your love and devotion, we have greater power and courage as we run ahead. Let us join hands and head for a better future.

Christmas Day

In the Christmas season, the Group kicked off the Christmas Month Activity in December, inviting employees to participate in Christmas decoration, including DIY Christmas wreaths and Christmas trees, etc. This has not only brought employees closer to each other, but also created a joyful and warm festive atmosphere.

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6. Green Operation

The Group keeps improving its environmental management system and endeavours to provide sustainable development services. We have formulated a Corporate Environmental Policy covering all of the Group's businesses, products and services. We conduct environmental examination annually to review our environmental performance and adjust and revise our environmental policy as appropriate. In order to minimise the impact of the Group's operating activities on the climate and the ecological environment, the Group has systematically identified the risks and opportunities associated with climate change and taken reasonable responsive measures, promoting the implementation of measures to protect ecological environment, control pollutant emissions and enhance energy consumption management.

6.1. Overview of Environmental Targets

Major Environmental Areas	Targets	Progress
Non-hazardous waste emission intensity	Maintain or gradually decrease compared to that for 2021 (0.06 tonnes per employee)	Non-hazardous waste emission intensity in 2023 was 0.06 tonnes per employee[2], which was the same as that for 2021
Electricity consumption	Maintain or gradually decrease compared to that for 2019 (343,153 kWh)	Electricity consumption in 2023 was 280,890 kWh, representing a decrease as compared to that in 2019
Water consumption	Maintain or gradually decrease compared to that for 2019 (325 tonnes)	Total water consumption in 2023 was 480 tonnes[3], representing an increase as compared to that in 2019
GHG emissions	Maintain or gradually decrease compared to that for 2019 (462.98 onne of CO_2)	GHG emissions in 2023 was 184.73 tonne of CO_2, representing a decrease as compared to that in 2019

6.2. Responding to Climate Change

Since the increasingly severe climate change will bring more risks and challenges to the companies globally, taking reasonable measures to respond to climate change is the key to achieve sustainable development. The Activation Group actively addresses the risks associated with climate change and seizes the opportunities arising therefrom, with a view to minimising the impact of climate change on its financial performance. Based on the framework recommended by the TCFD and with reference to the Guidance on Climate Disclosure of the Hong Kong Stock Exchange, the Group carries out tasks responding to climate change focusing on four key areas, i.e. governance, strategy, risk management and indicators and targets.

2 The non-hazardous waste emission intensity is calculated based on the domestic waste generated by office operation.

3 Since 2022, 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 as compared to 2019. The water consumption for the Year decreased as compared with that of 531 tonnes in 2022.

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6.2.1. Governance

In order to address the risks and opportunities arising from climate change, Activation Group has established a management structure comprising the Board, the ESG Committee and functional departments, and adopted a top-down management approach that clearly defines the responsibilities and duties at each level. The Board delegates authority to the ESG Committee and oversees its response to climate change, as well as approves and resolves the policies responding to climate change. The ESG Committee is responsible for identifying, assessing, managing and reporting the risks and opportunities related to climate change, as well as for formulating relevant management policies and countermeasures. The heads of functional departments will be responsible for implementing the tasks responding to risks and opportunities in a timely and accurate manner, and report the performance indicators related thereto to the ESG Committee on a regular basis.

6.2.2. Strategy

In accordance with the TCFD's recommendations and the Guidance on Climate Disclosure of the Hong Kong Stock Exchange, the Group has assessed the physical risks, transition risks and climate-related opportunities that may have an impact on Activation Group's financial performance, and has identified 6 potential physical risks and 6 potential transition risks of three categories, an increase of 3 risks as compared to those in the previous year, with the climate-related opportunities being newly identified.

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Risk Category	Risk	Description	Potential Financial Impact	Response
Physical risk	Typhoon Extreme heat Coastal flooding Urban flooding Riverine flooding Water shortage	• Infrastructure damage • Continuity of staff commuting and outreach activities will be affected by typhoons/ hurricanes • Electricity supply is affected by extreme weather disasters, thereby affecting the operation of the operating sites • Demand for cooling increase, resulting in higher operating cost • Accessible freshwater resources reduce	• Decrease in value of fixed assets • Leading to transport difficulties, disruptions in the supply chain, health and safety issues of employees, etc., resulting in reduced operating capability and increased cost • Higher operating cost due to increased resource and energy consumption as a result of rising temperatures	• Formulation of the Extreme Weather Emergency Plan to provide disaster response training and escape drills to employees • Mitigate the risk of possible energy price increases in future by taking more low-cost emission reduction measures while being favourable to climate and environment • Actively participate in environmental charity activities (such as tree planting) • Enhance employees' awareness of hot weather-related illnesses and provide more cooling facilities for them • Develop water conservation measures, such as installation of water-saving fittings, smart metre, low-flow flushing pedestal toilets, water leakage detectors, etc. • Conduct on-site safety management properly, pay attention to weather changes, and transfer staff and equipment to a safe haven in a timely manner

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Risk Category	Risk	Description	Potential Financial Impact	Response
Transition risk (policy and legal risk)	Failure to achieve the carbon neutrality targets at the national and industry standards Reporting the disclosure of compliance risks Existing products and services are not environmentally friendly and do not meet the national expectation of promoting green products and services	• Possible punishment for non-compliance • Reputation damage and loss of competitive advantage • Loss of existing customers due to inadequate disclosure of carbon neutrality targets and data	• Increased compliance cost • Increased operating cost	• Follow the latest laws and regulations related to climate change and integrate them into management strategies • Inclusion of the contents on carbon peaking and carbon neutrality in employee training programmes • Closely monitor the regulations and rules newly introduced by relevant government authorities. Proactive adjustment of business operation mode towards low-carbon and environmental manner to meet the future development direction planned by the government • Increase of green purchase
Transition risk (market risk)	Shift in consumer preference to environmentally friendly services Failure to comply with customers' internal climate change policy/ standards or expectations	• Less attractive to investors due to uncertain climate-related risks • Loss of important customers	• Decreased sources of income • higher procurement cost	• Continuously monitor market demand for low-carbon, green and energy-efficient products and cater for consumer needs as soon as possible • Purchase energy-efficient office supplies and use clean energies to reduce carbon emissions

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Risk Category	Risk	Description	Potential Financial Impact	Response
Transition risk (reputational risk)	Stakeholders demanding the Group to raise its standard on actions in response to climate change; a failure in responding effectively to such demands would impact corporate reputation	• Disruption of existing cooperation arrangements or impairment of the ability to attract new partners • Loss of competitive advantage over competitors with better sustainability performance	• Decrease in operating revenue	• Actively respond to the country's call for "dual carbon", and actively communicate with stakeholders to set and disclose emission reduction targets • Publicly disclose the Group's GHG emission data and its efforts in respect of low-carbon operation, etc., in the ESG report to actively safeguard corporate image • Communicate with stakeholders on and interpret the sustainability initiatives implemented by the Group • Once reputational risk arises, assess its impact immediately and develop countermeasures to deal with it properly

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Opportunity Category	Opportunity	Description	Potential Financial Impact	Response
Climate-related opportunities	Resource efficiency opportunity	By taking measures such as energy saving and emission reduction, water and paper conservation, the resources consumption and the wastes emitted can be reduced, to improve the Company's environmental performance	• Reduced operating cost	• Promote and improve the establishment of an energy management system • Take measures to utilize resources efficiently
	Product and service opportunity	The use of green products and technologies and the provision of green and low-carbon services can enhance competitive advantages, thus increasing customer retention.	• Increase in operating revenue	• Promote the application of green products and technologies in the daily operation of enterprises
	Market opportunity	Practising low-carbon development and promoting the improvement of raw materials and the use of environmentally friendly materials by suppliers to enhance the ability to respond to the external changing market and to attract more customers	• Increase in operating revenue	• Strengthen green supply chain management and promote green operation

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6.2.3. Risk Management

The Group has incorporated the identification, assessment and management of climate change risks into its strategy and risk management system with the participation of the Board, the ESG Committee and the functional departments. In order to address the risks related to climate change caused by GHG emissions, the Group has actively planted trees and conducted carbon calculation in respect of its operating activities in accordance with the Greenhouse Gas Protocol and the ISO14064-1 standard stipulated by the International Organisation for Standardisation (ISO).

The Group has formulated the Extreme Weather Emergency Plan to enhance the ability of the Group to cope with extreme weather through employee training and emergency response drills, ensuring that the Group conducts operating activities stably. In order to enhance the Group's sustainable competitiveness, the Group practises low-carbon development by purchasing green and energy-saving office supplies and offering green products and services to customers to satisfy their preference and demand for environmentally friendly products.

6.2.4. Metrics and Targets

6.2.4.1. Energy Management

The Group's GHG emissions are mainly derived from electricity consumption in offices and vehicle emissions. We recognise the importance of controlling GHG emissions to climate change response, and minimise our carbon footprint by actively implementing low-carbon operation and other measures, contributing to climate change response. The Group has established the Energy Conservation Control Procedures to control various factors affecting the conservation of energy resources in the business processes and office areas to ensure the safe and proper use of energy resources.

According to actual conditions, the Group has formulated plans and measures for energy saving and consumption reduction. The management department is responsible for the supervision over comprehensive energy utilization in office areas, while the engineering and technology department is responsible for implementing the measures on the utilisation of energy and energy saving in the business process. In addition, the Group actively promotes the application of new materials, technologies, techniques and equipment to progressively improve the effectiveness of environmental protection and energy conservation and to enhance the comprehensive energy utilization capacity. The table below sets out the energy consumption of Activation Group in 2023:

Energy Consumption of Activation Group			
Type	Unit	2022	2023
Petrol consumption	litres	5,850	8,523
Purchased electricity consumption	kWh	269,408	280,890[4]

[4] Due to the pandemic, the Group implemented work from home in 2022. During the Year, we fully restored work at office, resulting in an increase in electricity consumption.

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6.2.4.2. Carbon Footprint

In accordance with the Greenhouse Gas Protocol developed by the World Resources Institute and the World Business Council for Sustainable Development and ISO14064-1 standard stipulated by the International Organization for Standardization, the Group conducted GHG emissions calculation for its headquarters in Shanghai and its offices in Beijing and Hong Kong. In 2023, the Group's total GHG emissions amounted to 184.73 tonnes of CO2e.

GHG Emissions of Activation Group			
Type	Unit	2022	2023
Scope 1 GHG emissions	tonnes of CO_2e	15.84	22.67
Scope 2 GHG emissions	tonnes of CO_2e	158.96	162.06
Total GHG emissions[5]	tonnes of CO_2e	174.81	184.73
Total GHG emission intensity	tonnes of CO_2e per square metre	0.10	0.07
Total GHG emission intensity	tonnes of CO_2e per employee	0.67	0.76

The Group has set a target that GHG emissions and electricity consumption would maintain the same as or be lower than those for 2019.

Targets of Activation Group in Response to Climate Change				
Type	Unit	2019	2023	Progress
Total GHG emissions	tonnes of CO_2e	462.98	184.73	Achieved
Total electricity consumption	kWh	343,153	280,890	Achieved

6.3. Green Initiatives

The Group and its subsidiaries mainly operate in offices and have no significant impact on the environment and natural resources. During the Year, we actively implemented green initiatives, including the implementation of green office and participation in environmental activities, and continued to raise the environmental awareness of employees, in order to fulfill our corporate social responsibility in environmental protection.

[5] Total GHG emissions are the sum of scope 1 and scope 2 GHG emissions.

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Paper Saving

The Group has piloted a Green Paper Initiative to regulate the management of paper use and printing, which mainly includes the followings:

1) Defaulting to double-sided printing and ink-saving mode when using computers;
2) Applying paperless office, and do not print documents if unnecessary;
3) Advising employees to use double-sided printing in black and white and to use smaller fonts and line spacing as much as possible if it is necessary to print documents;
4) For printed documents for internal use, double-sided printing in black and white is preferred, and smaller fonts and line spacing are recommended.

The Group has established an OA (Office Automation) system, namely Office Automation system, which digitally create, collect, store and process all types of information required for office tasks using up-to-date technologies such as computers and communications, to replace some traditional manual or repetitive business activities of office workers, which avoids unnecessary paper consumption while improving work efficiency and quality. In addition, we closely monitor and calculate paper consumption and regularly test the effectiveness of paperless office.

Low-carbon Action

The Group has actively implemented low-carbon actions and taken the following low-carbon measures in light of actual operation:

1) Encouraging employees to take public transportation and advocating carpooling to reduce car usage;
2) Supporting employees to adopt video conferencing instead of unnecessary business trips, and choosing direct flights for inevitable business trips;
3) Carrying out fleet maintenance on a regular basis to ensure that vehicles have normal tyre pressure and no idling vehicles run their engines;
4) Providing low-carbon driving training for drivers;
5) Carrying out the annual event themed "Low-carbon Life by Reducing Wastes", and organizing a series of activities focusing on "low-carbon life" and "energy saving and emission reduction" for the Group and its subsidiaries, calling on all employees to practise energy saving and environmental protection with practical actions.

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Green Operation

As the energy consumed in the Group's daily operations is mainly electricity, and office equipment is the Group's main source of energy consumption, the Group has promoted green office in all respects. In addition to adopting paperless office, the Group has specified the following provisions in the use of office electricity:

1) Turning off lights when not using the office, and using sunlight to maintain brightness as far as possible;
2) Dividing different lighting zones in our office and installing independently controlled lighting switches in such zones;
3) Avoiding installing air conditioners in positions where the sun hits directly and setting the minimum temperature of the air conditioning system to 25.5 degrees Celsius;
4) Regularly inspecting office lighting installations and air conditioning system to ensure proper functioning and maximise their energy efficiency;
5) Purchasing energy-efficient electronic devices and electrical appliances that meet national standards;
6) Turning off electronic devices, electrical appliances and other office service supplies during non-working hours, especially turning off office power before rest days and holidays.

6.4. Emission Control

The Group places great emphasis on the management of pollutant emissions. It strictly complies with the laws and regulations, including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), the Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and the Law of the People's Republic of China on Energy Conservation (《中華人民共和國節約能源法》), and controls the discharge of GHG, sewage and wastes in accordance with relevant regulations and through effective measures.


TQCSI
Environmentally Certified
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The Group has obtained ISO 14001 environmental management system certification. In the future, we will continue to optimise our governance initiatives and practices in terms of environmental policy, management structure and management programmes.

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Planting Trees | Carbon Neutrality Forest Fostering Programme

In order to further alleviate the ecological and environmental problems such as drought, desertified land and soil erosion in Inner Mongolia and to facilitate ecological revitalization, Activation Group donated RMB10,000 to the Carbon Neutrality Forest Fostering Programme and planted 1,000 trees suitable for local areas during the Year, contributing to improving the local ecological environment.

Photo source: WWF

Climate Action Week | Ushering in the Green Energy Era to Cope with the Global Climate Crisis

The Group actively participated in the Climate Action Week, a series of activities jointly initiated by WWF and the Center for Environmental Education and Communication of the Ministry of Ecology and Environment, and invited employees to watch the documentary film, Wind Chasers (《追風的人》), to promote the knowledge of conversion of green energies such as solar and wind, so as to enhance their awareness and understanding of the "dual carbon" targets and "carbon neutrality" and to increase the proportion of green energies in the daily operations of the Group.

Earth Hour | Love the Earth for More than One Hour

Actively responding to the Earth Hour campaign, the Group launched an environmental event with the theme of "Love the Earth for More than One Hour", calling on all employees to turn off unnecessary power at their homes during holidays, so as to arouse their concern for climate and sense of responsibility for environmental protection.

Photo source: WWF

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6.4.1. Exhaust Emissions

The nitrogen oxides, sulphur oxides and particulate matters generated by the Group are mainly derived from the use of fuels by vehicles. The details on the emissions are as follows:

Exhaust Emissions of Activation Group			
Type	Unit	2022	2023
Total sulphur oxide (SO_x) emissions	kg	0.09	0.13
Total nitrogen oxide (NO_x) emissions	kg	4.41	3.74
Total particulate matter (PM) emissions	kg	0.32	0.28

During the Reporting Period, there were no problems during the exhaust emission.

6.4.2. Sewage and Waste Discharge

The Group strictly complies with relevant laws and regulations and has developed internal systems, including the Waste Control Procedures and the Waste Disposal Guidance which set out clear rules for the separation, collection, storage and disposal of waste generated in the course of daily production and operation.

The Group advocates reducing the discharge of waste from the source by cultivating a green lifestyle and consumption habits from the top to the bottom of the Group to reduce wastage and enhance the utilisation of resources. In particular, the Group actively promotes the reuse of resources by emphasising that employees should bring their own cups, and reuse stationery items such as envelopes and loose-leaf binders and use replacement pen refills, so as to reduce the use of disposable items. Furthermore, the administrative and procurement departments of the Group and its subsidiaries estimate the amount of materials to be used so as to avoid wastage due to overstocking.

The Group vigorously promotes waste separation and requires its employees to develop the habit of waste separation. In early 2019, it launched the Voluntary Sorting and Recycling of Office Waste for Green and Environment Protection scheme in the hope that employees can contribute to going green and environmental protection through their own efforts. Therefore, the Group has developed a corporate culture of prevention and control of solid waste pollution with the participation of all employees across the Group.

Hazardous wastes generated by the Group were all properly handled and there was no irregular disposal of hazardous waste. For example, waste ink cartridges of printers, waste cardboard boxes and other waste electronic products are disposed and recycled by a rental company. In addition, the Group's water discharge is mainly derived from domestic sewage, which will be discharged to the urban sewage treatment plant through the municipal sewage pipelines for treatment and discharge.

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Non-hazardous Waste Emissions of Activation Group			
Type	Unit	2022	2023
Total amount of non-hazardous wastes[6]	tonnes	14.20	15.20
Non-hazardous waste intensity	tonnes per employee	0.05	0.06
Total paper consumption in offices	kg	1,634.00	2,442.53
Average paper consumption in offices	kg per employee	6.26	10.05

Hazardous Waste Emissions of Activation Group			
Type	Unit	2022	2023
Batteries	pieces	85	80
Waste ink cartridges and toner cartridges	pieces	15	8

DIY Handicrafts | Reuse of Used Things and Rycycling of Wastes

The Group calls on all employees to save resources and pay attention to reusable things. In their daily work and life, employees make discarded items demonstrate their value again through innovation. In particular, employees made decorations with the remaining materials deriving from the activities of major brands, made various office supplies storage boxes with environmentally friendly paper bags and cups, and made unique fashion bags with discarded advertising cloth.

Through this environmental activity, employees realised the importance of rational use of resources, which effectively enhanced the awareness of resources saving and environmental protection of all employees. In the future, the Group will continue to lead all employees to run ahead.

During the Reporting Period, there were no problems during the discharge of sewage and wastes.

6 The total amount of non-hazardous wastes is calculated based on the domestic wastes generated by office operation.

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6.5. Water Resource Management

In order to promote the rational use of water resource and to raise the employees' awareness of saving water, the Group has put more efforts in water conservation publicity. We have posted water-saving slogans and promotional images within toilets and washrooms to create a good water-saving atmosphere. In addition, we have strengthened routine maintenance and management of water facilities, by regularly inspecting and repairing water supply facilities in a timely manner, so as to eliminate the water-wasting phenomenon of "Water Flowing for a Long Time". We also avoided extensive flushing when cleaning. In addition, the Group has installed water-saving sensor faucets and water-saving dual-flush toilets in line with national standards.

For less polluted water such as domestic water, the Group collects and reuses it after proper treatment, such as for flushing toilets.

Water Consumption of Activation Group			
Type	Unit	2022	2023
Total water consumption	tonnes	531	480
Total water consumption intensity	tonnes per square metre	0.32	0.19
Total water consumption intensity	tonnes per employee	2.03	1.98

During the Reporting Period, the Group had no difficulties in sourcing water that is fit for purpose.

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7. Giving Back to Society

7.1. Exploring Our Journey of Charities

Activation believes that the success of a business is closely related to the prosperity of society. That's why we are actively involved in a wide range of charitable activities covering various areas from supporting education to caring for the environment, striving to improving all aspects of the society. We recognise that sustainable success of a company is closely correlated to harmonious social development. This is just the responsibility we expect to assume.

In this respect, we are not only a donor, but also a participant. We actively advocate our employees to participate in social services, encourage innovative public welfare programmes, and establish closer ties with the community. Through these efforts, it is expected to guide the Company to play a greater role in the field of social welfare and contribute to building a better society.

7.1.1. Enlightening the Future and Sprouting Up: Bringing Students to the Wonderland of Advertising

On 8 June 2023, the Group organised a social practice to provide students from primary and secondary schools with an opportunity to in-depth visit and physically experience the Company's business. Through this event, we expected to inspire students' passion for knowledge and innovation, and to help them develop a great interest in future careers. With the active participation of all employees, the event aimed to make a positive social investment for the community and promote the common development of the community and education.

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7.1.2. Supporting Hongmei Primary School by Donating Books to Help Students Pursue Their Dreams

Adhering to the charity philosophy of "Contributing to the Society Where We Come", Activation Group supported the private Hongmei Primary School in Minhang District, Shanghai by donating books. At the donation ceremony, we donated 1,000 extracurricular books to the school, which opened up a new window of reading for the students. This initiative aims to enable more children to broaden their horizons by reading and to encourage them to pursue their dreams. In the future, Activation Group will continue to be committed to public welfare, endeavouring to bring a positive influence on the well-being of the society and the environmental protection.

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8. Appendix 1 – Overview of Key Performance Indicators

8.1. Environmental Aspect[7]

KPIs		Unit	2023
Emissions[8]	SO_2 emissions	kg	0.13
	NO_x emissions	kg	3.74
	PM emissions	kg	0.28
GHG Emissions[9]	Direct GHG emissions (Scope 1)	tonnes of CO_2e	22.67
	Indirect GHG emissions (Scope 2)	tonnes of CO_2e	162.06
	Total GHG emissions	tonnes of CO_2e	184.73
	GHG emission intensity per square metre (Scope 1 and 2)	tonnes of CO_2e per square metre	0.07
	GHG emission intensity per employee (Scope 1 and 2)	tonnes of CO_2e per employee	0.76
Hazardous Wastes	Batteries	pieces	80
	Waste ink cartridges and toner cartridges	pieces	8
Non-Hazardous Wastes	Total amount of non-hazardous wastes	tonnes	15.2
	Non-hazardous waste intensity per employee	tonnes per employee	0.06
Paper Consumption	Total paper consumption	kg	2,442.53
	Average paper consumption	kg per employee	10.05
Vehicle Fuel Consumption	Gasoline consumption	litres	8,523
Energy Consumption	Total electricity consumption	kWh	280,890
	Total electricity consumption intensity per square metre	kWh per square metre	113.73
	Total electricity consumption intensity per employee	kWh per employee	1,155.93
Water Consumption	Total water consumption	tonnes	480
	Water consumption intensity	tonnes per square metre	0.19
	Water consumption intensity	tonnes per employee	1.98

7 The data collected in the environmental aspect covered the headquarters in Shanghai, and the offices in Beijing and Hong Kong.

8 Refer to the Technical Guideline for the Preparation of Emission Inventory for Air Pollutants from Non-road Mobile Sources (《非道路移動源大氣污染物排放清單編製技術指南》) issued by the Ministry of Ecology and Environment of the PRC for the emission factors of machinery and equipment, and refer to the Reporting Guidance on Environmental Key Performance Indicators issued by the Hong Kong Stock Exchange for other emission factors.

9 Refer to the Circular on the Effective Management of GHG Emission Reports of Power Generation Enterprises from 2023 to 2025 (《關於做好2023-2025年發電行業企業溫室氣體排放報告管理有關工作的通知》) issued by the Ministry of Ecology and Environment of the PRC in 2023 for the GHG emission factors of purchased electricity, and refer to the Reporting Guidance on Environmental Key Performance Indicators of the Hong Kong Stock Exchange for other emission factors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

8.2. Social Aspect[10]

KPIs		2023
Employment		
Total number of employees		243
Employee distribution		No. of people
By gender	Male	104
	Female	139
By employment type	Full-time junior employees	130
	Full-time middle management	98
	Full-time senior management	15
By age group	Aged under 30	98
	Aged between 30-50	136
	Aged above 50	9
By education background	Associate degree or below	48
	Bachelor degree	147
	Master degree	48
By nationality	China	223
	Hong Kong, Macau and Taiwan	17
	Foreign nationalities[11]	3
By geographical region	Beijing	40
	Shanghai	190
	Other regions	13
Employee turnover rate[12]		
Total employee turnover rate[13]		29.77%
By gender	Male	22.96%
	Female	34.12%
By age group	Aged under 30	38.36%
	Aged between 30-50	23.60%
	Aged above 50	0.00%
By geographical region	Beijing	27.27%
	Shanghai	31.16%
	Other regions	13.33%

[10] The data collected in the social aspect covered the whole Group.

[11] During the Year, the foreign employees of the Group include 2 from Malaysia and 1 from the Philippines.

[12] The turnover rate of employees in each category = the number of employees left in this category during the Year ÷ (the number of employees left in this category during the Year + the number of employees in this category at the year end) × 100%.

[13] The calculation of the employee turnover rate of the Group includes resigned employees who do not pass the probation. Employee turnover rate = the number of employees left during the Year ÷ (the number of employees left during the Year + total number of employees at the year end) × 100%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Percentage of employees trained and average training hours		Percentage of employees trained	Average training hours per employee
By gender	Male	85.61%	4.00
	Female	85.58%	4.00
By position	Full-time junior employees	80.00%	4.00
	Full-time middle management	90.82%	4.00
	Full-time senior management	100.00%	4.00
Occupational health and safety			
Number of work-related fatalities occurred in each of the past three years including the reporting year			0
Rate of work-related fatalities occurred in each of the past three years including the reporting year			0.00%
Lost days due to work injury (days)			0
Supply chain management			
Number of suppliers	Shanghai, China		17
	Beijing, China		2
	Jiangsu, China		3
Anti-corruption			
Number of concluded legal cases regarding corrupt practices initiated (cases)			0
Community investment			
Donation (RMB)			30,000

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

9. Appendix 2 – Index to the ESG Reporting Guide

Aspects	Requirements of the ESG Reporting Guide of HKEx	Chapters/Remarks
Governance Framework	The statement from the Board contains the followings: (i) a disclosure of the Board's supervision over ESG issues; (ii) the Board's ESG management policies and strategies, including the process used to assess, prioritise and manage material ESG-related issues (including risks to the issuer's business); and how the Board reviews the progress towards relevant ESG goals and targets with an explanation of how they relate to the issuer's business.	Board Statement
Reporting Principles	A description of, or an explanation on, the application of the following reporting principles in the preparation of the ESG report:	Reporting Guide and Principles
	(a) Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; and (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.	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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Requirements of the ESG Reporting Guide of HKEx	Chapters/Remarks
	(b) Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable).	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
	(c) Consistency: The issuer should disclose in the ESG report any changes to the calculation methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	Consistency: The statistical methodology used for the information disclosed in the Report are consistent. Any changes will be clearly stated in the Report.
Reporting Boundaries	A narrative explanation on the reporting boundaries of the ESG report and a description of the process used to identify which entities or businesses are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	Reporting Boundaries and Reporting Period

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Requirements of the ESG Reporting Guide of HKEx		Chapters/Remarks
A. Environment			
Aspect 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 non-hazardous waste.		Responding to Climate Change, Emission Control
	KPI A1.1	The types of emissions and respective emissions data	Emission Control, Appendix 1 – Overview of Key Performance Indicators
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) GHG emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Responding to Climate Change, Appendix 1 – Overview of Key Performance Indicators
	KPI A1.3	Total amount of hazardous wastes generated (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emission Control, Appendix 1 – Overview of Key Performance Indicators
	KPI A1.4	Total amount of non-hazardous wastes generated (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emission Control, Appendix 1 – Overview of Key Performance Indicators

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Requirements of the ESG Reporting Guide of HKEx		Chapters/Remarks
	KPI A1.5	Description of emission targets and steps taken to achieve them	Overview of Environmental Targets, Responding to Climate Change, Emission Control
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and description of waste reduction targets and steps taken to achieve them	Emission Control
Aspect A2: Use of Resources	**General disclosure** Policies on the efficient use of resources, including energy, water and other raw materials.		Responding to Climate Change, Water Resource Management
	KPI 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)	Responding to Climate Change, Appendix 1 – Overview of Key Performance Indicators
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Water Resource Management, Appendix 1 – Overview of Key Performance Indicators
	KPI A2.3	Description of energy use efficiency targets and steps taken to achieve them	Overview of Environmental Targets, Water Resource Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Requirements of the ESG Reporting Guide of HKEx		Chapters/Remarks
	KPI 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	Water Resource Management
	KPI A2.5	Total packaging materials used for finished products (in tonnes) and, where appropriate, per unit produced	Not applicable, the business of the Group does not involve production
Aspect A3: Environment and Natural Resources	**General disclosure** Policies on minimizing the issuer's significant impacts on the environment and natural resources.		Responding to Climate Change, Green Initiatives
	KPI A3.1	Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them	Responding to Climate Change, Green Initiatives
Aspect 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.		Responding to Climate Change
	KPI A4.1	Description of material climate-related issues that have and may have an impact on the issuer, and actions taken to manage them	Responding to Climate Change

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Requirements of the ESG Reporting Guide of HKEx		Chapters/Remarks
B. Society			
Aspect 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 opportunities, diversity, anti-discrimination and other benefits and welfare.		Employment Compliance, Employee Rights and Interests
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employee Profile, Appendix 1 – Overview of Key Performance Indicators
	KPI B1.2	Employee turnover rate by gender, age group and geographical region	Appendix 1 – Overview of Key Performance Indicators
Aspect 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 the provision of a safe working environment and the protection of employees against occupational hazards.		Occupational Health and Safety
	KPI B2.1	Number and rate of work-related fatalities	Occupational Health and Safety, Appendix 1 – Overview of Key Performance Indicators
	KPI B2.2	Lost days due to work injury	Occupational Health and Safety, Appendix 1 – Overview of Key Performance Indicators
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	Occupational Health and Safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Requirements of the ESG Reporting Guide of HKEx		Chapters/Remarks
Aspect B3: Development and Training	**General disclosure** Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Employee Growth and Development
	KPI B3.1	The percentage of employees trained by gender and employee type (e.g. senior management, middle management, etc.)	Employee Growth and Development, Appendix 1 – Overview of Key Performance Indicators
	KPI B3.2	The average training hours completed per employee by gender and employee type	Employee Growth and Development, Appendix 1 – Overview of Key Performance Indicators
Aspect B4: Labour Standards	**General disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to the prevention of child and forced labour.		Employment Compliance, Employee Rights and Interests
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Employment Compliance
	KPI B4.2	Description of steps taken to eliminate such practices when discovered	Employment Compliance

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Requirements of the ESG Reporting Guide of HKEx		Chapters/Remarks
Aspect B5: Supply Chain Management	**General disclosure** Policies on managing environmental and social risks of the supply chain.		Supply Chain Management
	KPI B5.1	Number of suppliers by geographical region	Supply Chain Management, Appendix 1 – Overview of Key Performance Indicators
	KPI 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	Supply Chain Management
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	Supply Chain Management
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Requirements of the ESG Reporting Guide of HKEx		Chapters/Remarks
Aspect B6: Product Responsibility	**General disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters in relation to the products and services provided and methods of redress.		Service Quality Management
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Handling of Customer Complaints and Satisfaction
	KPI B6.2	Number of complaints about products and services received and how they are dealt with	Handling of Customer Complaints and Satisfaction
	KPI B6.3	Description of practices relating to the observance and protection of intellectual property rights	Protection of Intellectual Property Rights
	KPI B6.4	Description of quality assurance process and recall procedures	Service Quality Management
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	Protection of Customer Privacy

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Requirements of the ESG Reporting Guide of HKEx		Chapters/Remarks
Aspect 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.		Anti-Corruption Management
	KPI 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	Anti-Corruption Management
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	Anti-Corruption Management
	KPI B7.3	Description of anti-corruption training provided to directors and employees	Anti-Corruption Management
Aspect 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.		Giving Back to Society
	KPI B8.1	Focus areas of contribution	Giving Back to Society
	KPI B8.2	Resources contributed to the focus area	Giving Back to Society

INDEPENDENT AUDITOR'S REPORT

EY 安永

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

OPINION

We have audited the consolidated financial statements of Activation Group Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 121 to 204, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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 2023, the Group recorded trade receivables of RMB399,853,000 before a loss allowance of RMB2,216,000, representing approximately 50.0% of the total assets of the Group. The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. Significant management judgement and estimation are required in assessing the ECLs for the trade receivables, with reference to the groupings of various customer segments, 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 2023, 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

11 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
REVENUE	*5*	**967,231**	694,807
Cost of sales		**(669,009)**	(492,566)
Gross profit		**298,222**	202,241
Other income and gains	*5*	**13,858**	16,263
Selling and distribution expenses		**(86,486)**	(86,423)
General and administrative expenses		**(58,648)**	(65,698)
Other expenses, net		**(5,950)**	(10,480)
Finance costs	*7*	**(410)**	(526)
Share of profits and losses of an associate		**4,199**	321
PROFIT BEFORE TAX	*6*	**164,785**	55,698
Income tax expense	*10*	**(46,366)**	(27,454)
PROFIT FOR THE YEAR		**118,419**	28,244
Attributable to:			
Owners of the parent		**107,992**	23,632
Non-controlling interests		**10,427**	4,612
		118,419	28,244
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*12*		
Basic *(RMB cents)*		**14.80**	3.21
Diluted *(RMB cents)*		**14.60**	3.21

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**118,419**	28,244
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income		
Changes in fair value	**(12,029)**	(736)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,830)**	3,155
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(13,859)**	2,419
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**104,560**	30,663
Attributable to:		
Owners of the parent	**94,133**	26,051
Non-controlling interests	**10,427**	4,612
	104,560	30,663

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**4,856**	6,421
Right-of-use assets	14	**5,567**	8,246
Goodwill	15	**10,233**	10,233
Intangible assets	16	**861**	309
Investment in a joint venture	17	**–**	–
Investment in an associate	18	**5,107**	908
Investment at fair value through other comprehensive income	19	**31,770**	42,344
Investment at fair value through profit and loss	20	**13,101**	16,354
Deposits	22	**701**	701
Deferred tax assets	26	**554**	358
Total non-current assets		**72,750**	85,874
CURRENT ASSETS			
Trade receivables	21	**397,637**	308,859
Prepayments, deposits and other receivables	22	**17,270**	15,579
Pledged bank deposits	23	**665**	665
Cash and cash equivalents	23	**307,079**	300,269
Total current assets		**722,651**	625,372
CURRENT LIABILITIES			
Trade payables	24	**339,405**	289,595
Other payables and accruals	25	**62,220**	41,631
Lease liabilities	14	**3,292**	3,123
Tax payable		**23,855**	13,382
Total current liabilities		**428,772**	347,731
NET CURRENT ASSETS		**293,879**	277,641
TOTAL ASSETS LESS CURRENT LIABILITIES		**366,629**	363,515
NON-CURRENT LIABILITIES			
Lease liabilities	14	**3,289**	6,475
Deferred tax liabilities	26	**3,365**	3,450
Total non-current liabilities		**6,654**	9,925
Net assets		**359,975**	353,590

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	27	**659**	659
Reserves	29	**339,110**	335,650
		339,769	336,309
Non-controlling interests		**20,206**	17,281
Total equity		**359,975**	353,590

Lau Kam Yiu
Director

Ng Bo Sing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent													
	Issued capital RMB'000 (note 27)	Share premium 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/(loss) for the year:														
Change in fair value of equity investment at fair value through other comprehensive income	–	–	–	(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	353,590

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent													
	Issued capital RMB'000 (note 27)	Share premium 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 2023	659	182,541*	(58,474)*	3,249*	14,023*	37,288*	21,748*	(8,709)*	(10,205)*	-*	154,189*	336,309	17,281	353,590
Profit for the year	–	–	–	–	–	–	–	–	–	–	107,992	107,992	10,427	118,419
Other comprehensive loss for the year:														
Change in fair value of equity investment at fair value through other comprehensive income	–	–	–	(12,029)	–	–	–	–	–	–	–	(12,029)	–	(12,029)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(1,830)	–	–	–	(1,830)	–	(1,830)
Total comprehensive income for the year	–	–	–	(12,029)	–	–	–	(1,830)	–	–	107,992	94,133	10,427	104,560
Share award arrangement	–	–	–	–	–	–	–	–	–	9,754	–	9,754	–	9,754
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	198	198
Vesting of shares held under the Share Award Scheme	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Purchases of shares under Share Award Scheme	–	–	–	–	–	–	–	–	(18,689)	–	–	(18,689)	–	(18,689)
Dividends	–	(70,570)	–	–	–	–	–	–	–	–	(11,168)	(81,738)	–	(81,738)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(7,700)	(7,700)
Transfer from retained profits	–	–	–	–	–	762	–	–	–	–	(762)	–	–	–
At 31 December 2023	659	111,971*	(58,474)*	(8,780)*	14,023*	38,050*	21,748*	(10,539)*	(28,894)*	9,754*	250,251*	339,769	20,206	359,975

* These reserve accounts comprise the consolidated reserves of RMB339,110,000 (2022: RMB335,650,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**164,785**	55,698
Adjustments for:			
Finance costs	7	**410**	526
Share of profits and losses of an associate		**(4,199)**	(321)
Interest income	5	**(1,329)**	(1,696)
Covid-19-related rent concessions from lessors	14	**–**	–
Depreciation of property, plant and equipment	6	**2,192**	2,063
Depreciation of right-of-use assets	6	**2,800**	2,937
Impairment of a joint venture	6	**–**	334
Amortisation of intangible assets	6	**201**	123
Impairment of trade receivables, net	6	**1,031**	8,963
Written off of intangible asset		**–**	90
Gain on early termination of a lease		**(8)**	–
Share-based payment expenses		**9,754**	18,617
Fair value loss of financial asset at fair value through profit or loss	6	**3,807**	329
		179,444	87,663
Increase in trade receivables		**(89,809)**	(86,130)
Increase/(decrease) in prepayments, deposits and other receivables		**(1,040)**	16,231
Increase in trade payables		**49,811**	67,840
Increase in other payables and accruals		**12,888**	7,252
Cash generated from operations		**151,294**	92,856
Taxes paid		**(36,174)**	(31,855)
Net cash flows from operating activities		**115,120**	61,001
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,329**	1,696
Purchases of items of property, plant and equipment		**(656)**	(3,184)
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)
Advance of loan to an associate		**(651)**	–
Investment in an associate		**–**	(588)
Advance of loan to a joint venture		**–**	(334)
Purchases of intangible assets		**(753)**	(96)
Proceeds from disposal of property, plant and equipment		**29**	1
Proceeds from deregistration of a subsidiary		**198**	–
Net cash flows used in investing activities		**(504)**	(38,707)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(81,738)**	(90,801)
Dividends paid to non-controlling shareholders		–	(10,430)
Share repurchases and cancellation		–	(10,191)
Purchases of shares held under the Share Award Scheme		**(18,689)**	(13,682)
Principal portion of lease payments	*14*	**(3,130)**	(1,805)
Interest portion of lease payments		**(410)**	(526)
Net cash flows used in financing activities		**(103,967)**	(127,435)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**10,649**	(105,141)
Cash and cash equivalents at beginning of year		**300,269**	405,817
Effect of foreign exchange rate changes, net		**(3,839)**	(407)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**307,079**	300,269
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position		**307,079**	300,269

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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 2023, 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	Provision of experiential marketing services and investment holding
Shanghai Aideweixuan Group Co., Limited ("**Activation Group**") 上海艾德韋宣股份有限公司 *(note (ii))**	PRC/ Chinese Mainland	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	US$1	–	100	Inactive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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		Principal activities
			Direct	*Indirect*	
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/ Chinese Mainland	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/ Chinese Mainland	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/ Chinese Mainland	RMB5,000,000	–	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/ Chinese Mainland	RMB2,000,000	–	93.0	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/ Chinese Mainland	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/ Chinese Mainland	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/ Chinese Mainland	RMB6,660,000	–	83.8	Management and operation of sports events

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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		Principal activities
			Direct	*Indirect*	
Shanghai Aideweixuan Marketing Co., Limited ("**Activation Marketing**") 上海艾德韋宣營銷企劃有限公司 *(note (i))**	PRC/ Chinese Mainland	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/ Chinese Mainland	RMB1,000,000	–	93.0	Provision of public relations 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/ Chinese Mainland	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/ Chinese Mainland	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/ Chinese Mainland	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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. ACCOUNTING POLICIES

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment 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 2023. 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(Continued)*

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.

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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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, 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 new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(Continued)*

2.2 Changes In Accounting Policies and Disclosures *(Continued)*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* 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. Since the Group has recognised a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases, the amendments did not have any impact to the Group.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(Continued)*

2.3 Issued but not Yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*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 Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

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

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

4 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 to align the corresponding wording with no change in conclusion

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

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets 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 was removed by the HKICPA. However, the amendments are available for adoption now.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(Continued)*

2.3 Issued but not Yet Effective Hong Kong Financial Reporting Standards *(Continued)*

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments 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. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(Continued)*

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

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material Accounting Policies *(Continued)*

Business combinations and goodwill *(Continued)*

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material Accounting Policies *(Continued)*

Fair value measurement

The Group measures certain of its 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 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material Accounting Policies *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for non-financial asset is required (other than deferred tax 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material 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 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material 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 $33^1/_3$%
Furniture, fixtures and equipment	$33^1/_3$%
Computer equipment	$33^1/_3$%
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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material Accounting Policies *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

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

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

(b) Lease liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material Accounting Policies *(Continued)*

Leases *(Continued)*

Group as a lessee (Continued)

(b) Lease liabilities *(Continued)*

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material Accounting Policies *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement (Continued)

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

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

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

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 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material 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, 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 the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

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 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material 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.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material Accounting Policies *(Continued)*

Impairment of financial assets *(Continued)*

General approach (Continued)

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

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

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

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

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

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

Simplified approach

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material Accounting Policies *(Continued)*

Impairment of financial assets *(Continued)*

Simplified approach (Continued)

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 (trade and other payables, and borrowings)

After initial recognition, trade and other payable, and interest-bearing 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 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material 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

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material Accounting Policies *(Continued)*

Income tax

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

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

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

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 does not give rise to equal taxable and deductible temporary differences; 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 does not give rise to equal taxable and deductible temporary differences; 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material Accounting Policies *(Continued)*

Income tax *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material Accounting Policies *(Continued)*

Revenue from contracts with customers *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material Accounting Policies *(Continued)*

Revenue from contracts with customers *(Continued)*

Digital and communication services (Continued)

(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.

IP Development

Sports and cultural 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material Accounting Policies *(Continued)*

Revenue from contracts with customers *(Continued)*

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).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material Accounting Policies *(Continued)*

Employee benefits *(Continued)*

Pension schemes (Continued)

The employees of the Group's subsidiaries which operate in Chinese Mainland 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. 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 in exchange for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 25 to the financial statements.

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 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 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material Accounting Policies *(Continued)*

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.

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.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Principal versus agent considerations

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

Estimation uncertainty

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

Impairment of goodwill

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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

Estimation uncertainty *(Continued)*

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 20 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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, investment at fair value through other comprehensive income, investment at fair value through profit or loss 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 2023

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2023/At 31 December 2023

	Experiential marketing services *RMB'000*	Digital and communication services *RMB'000*	IP development *RMB'000*	Total *RMB'000*
Segment revenue				
Sales to external customers	761,972	188,237	17,022	967,231
Segment results	138,352	33,364	9,748	181,464
Reconciliation:				
Corporate and other unallocated expenses, net				(17,323)
Interest income				1,054
Finance costs				(410)
Profit before tax				164,785
Segment assets	633,335	76,098	27,308	736,741
Reconciliation:				
Corporate and other unallocated assets				58,660
Total assets				795,401
Segment liabilities	347,603	33,513	9,525	390,641
Reconciliation:				
Corporate and other unallocated liabilities				44,785
Total liabilities				435,426
Other segment information				
Share of profit of an associate	–	–	(4,199)	(4,199)
Depreciation and amortisation	1,848	530	15	2,393
Impairment of trade receivables, net	816	159	56	1,031
Capital expenditure*	1,265	109	35	1,409

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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				
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 2023

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2023	2022
	RMB'000	*RMB'000*
Chinese Mainland	**867,277**	669,619
Hong Kong/Singapore	**99,954**	25,188
	967,231	694,807

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

(b) Non-current assets

	2023	2022
	RMB'000	*RMB'000*
Chinese Mainland	**21,664**	18,572
Hong Kong/Singapore	**94**	—
	21,758	18,572

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets, investment at fair value through profit or loss, 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 2023 and 2022 is as follows:

	2023	2022
	RMB'000	*RMB'000*
Customer A	**253,485**	198,040
Customer B	**176,682**	64,694*

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 2023

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers		
Major service lines		
Experiential marketing services	**761,972**	513,877
Digital and communication services	**188,237**	154,399
IP development	**17,022**	26,531
	967,231	694,807

(i) Disaggregated revenue information

	2023 RMB'000	2022 RMB'000
Geographical locations		
Experiential marketing services		
Chinese Mainland	**706,654**	489,493
Hong Kong/Singapore	**55,318**	24,384
	761,972	513,877
Digital and communication services		
Chinese Mainland	**143,601**	153,595
Hong Kong/Singapore	**44,636**	804
	188,237	154,399
IP development		
Chinese Mainland	**17,022**	26,531
Total revenue from contracts with customers	**967,231**	694,807
Timing of revenue recognition		
At a point in time	**949,400**	548,907
Over time*	**17,831**	145,900
Total revenue from contracts with customers	**967,231**	694,807

* Included projects in retainer basis

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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:

	2023	2022
	RMB'000	*RMB'000*
Experiential marketing services	**2,100**	872
Digital and communication	**706**	1,155
	2,806	2,027

(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.

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 cultural related 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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

An analysis of other income and gains is as follows:

	Note	**2023** **RMB'000**	2022 RMB'000
Other income and gains			
Bank interest income		**1,054**	1,696
Government subsidies*		**8,921**	10,651
Interest income from an associate	*31(a)(ii)*	**275**	–
Others		**3,608**	3,916
		13,858	16,263

* 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:

	Notes	**2023** **RMB'000**	2022 RMB'000
Cost of services rendered		**669,009**	492,566
Depreciation of property, plant and equipment**	*13*	**2,192**	2,063
Depreciation of right-of-use assets**	*14*	**2,800**	2,937
Amortisation of intangible assets**	*16*	**201**	123
Lease payments not included in the measurement of lease liabilities	*14*	**3,681**	3,298
Employee benefit expense (including directors' and chief executive's remuneration *(note 8)*):			
Wages, salaries, bonuses and allowances		**99,531**	88,441
Share-based payment expenses		**9,754**	18,617
Pension scheme contributions (defined contribution schemes)***		**4,941**	3,695
		114,226	110,753
Fair value loss of financial asset at fair value through Profit or loss*		**3,807**	329
Impairment of trade receivables, net*	*21*	**1,031**	8,963
Impairment of a joint venture		**—**	334
Write-off intangible asset		**—**	90
Foreign exchange differences, net		**649**	89

* 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 2023

7. FINANCE COSTS

	Note	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	14	**410**	526

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing 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:

	2023 RMB'000	2022 RMB'000
Fees	**489**	474
Other emoluments:		
Salaries, bonuses and allowances	**8,552**	6,283
Share-based payment expenses*	**4,317**	18,617
Pension scheme contributions	**402**	378
	13,271	25,278
	13,760	25,752

* 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:

	2023 RMB'000	2022 RMB'000
Ms. Cheung	**163**	158
Mr. Yu	**163**	158
Dr. Cheung	**163**	158
	489	474

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 (2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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 2023					
Mr. Ng	**1,538**	**154**	**—**	**135**	**1,827**
Mr. Lau*	**1,638**	**174**	**1,001**	**121**	**2,934**
Mr. Chan	**1,374**	**958**	**3,316**	**122**	**5,770**
Ms. Low	**1,705**	**1,011**	**—**	**24**	**2,740**
	6,255	**2,297**	**4,317**	**402**	**13,271**
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

* 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 (2022: Nil).

There was no arrangement under which a director or a chief executive waived or agreed to waive any remuneration during the year (2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included four directors (2022: 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:

	2023	2022
	RMB'000	*RMB'000*
Salaries and allowances	**439**	1,420
Share-based payment expenses	**4,400**	–
Pension scheme contributions (defined contribution schemes)	**4**	16
	4,843	1,436

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

	2023	2022
HK$1,500,001 to HK$2,000,000	**—**	1
HK$5,000,001 to HK$5,500,000	**1**	—
	1	1

10. INCOME TAX

Taxes on profits assessable in Chinese Mainland have been calculated at the applicable PRC corporate income tax ("**CIT**") rate of 25% (2022: 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% (2022: 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% (2022: 17%) on the estimated assessable profits arising in Singapore during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

10. INCOME TAX *(Continued)*

	2023	2022
	RMB'000	*RMB'000*
Current – PRC		
Charge for the year	**44,384**	23,396
Underprovision in prior year	**540**	10
Current – Hong Kong/Singapore		
Charge for the year	**1,723**	–
Underprovision in prior year	**–**	74
Deferred *(note 26)*	**(281)**	3,974
Total tax charge for the year	**46,366**	27,454

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

	2023	2022
	RMB'000	*RMB'000*
Profit before tax	**164,785**	55,698
Tax at the PRC statutory tax rate of 25%	**41,196**	13,925
Lower tax rates enacted by overseas authorities	**(1,650)**	(255)
Effect of withholding tax at 5% on the distributable profit of the Group's PRC subsidiaries	**5,047**	7,484
Adjustments in respect of current tax of previous period	**540**	84
Income not subject to tax	**(1,099)**	(728)
Expenses not deductible for tax	**3,578**	5,045
Tax losses not recognised	**459**	2,374
Tax losses utilised from previous periods	**(1,234)**	(523)
Others	**(471)**	48
Tax charge at the Group's effective tax rate	**46,366**	27,454

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11. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Interim HK2.00 cents (2022: nil) per ordinary share	**13,236**	—
Special – nil (2022: HK12.00 cents) per ordinary share	**—**	76,896
Proposed final – HK6.16 cents (2022: HK1.32 cents) per ordinary share	**40,766**	8,455
Proposed final special – HK4.42 cents (2022: HK9.38 cents) per ordinary share	**29,250**	60,084
	83,252	145,435

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 729,561,644 (2022: 735,333,000) in issue during the year, as adjusted to exclude the shares held under the share award scheme of the Company.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed vesting of all dilutive share awards of the Company awarded under the share award scheme of the Company.

Earnings

The calculations of basic and diluted earnings per share are based on profit for the year attributable to ordinary equity holders of the parent.

Shares

	Number of shares	
	2023	2022
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**729,561,644**	735,332,537
Effect of dilution – weighted average number of ordinary shares:		
Share awards	**10,083,404**	—
Number of shares used in the diluted earnings per share calculation	**739,645,048**	735,332,537

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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 2023					
At 31 December 2022 and 1 January 2023:					
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
At 1 January 2023, net of accumulated depreciation	4,863	74	1,457	27	6,421
Additions	213	15	428	—	656
Disposal/write off	—	(5)	(24)	—	(29)
Depreciation provided for the year	(1,469)	(39)	(622)	(62)	(2,192)
Reclassification	—	55	(254)	199	—
At 31 December 2023, net of accumulated depreciation	3,607	100	985	164	4,856
At 31 December 2023:					
Cost	7,106	857	6,691	992	15,646
Accumulated depreciation	(3,499)	(757)	(5,706)	(828)	(10,790)
Net carrying amount	3,607	100	985	164	4,856

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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 2022					
At 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

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14. LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

	2023	2022
	RMB'000	*RMB'000*
At 1 January	**8,246**	8,518
Additions during the year	**136**	2,660
Depreciation provided for the year	**(2,800)**	(2,937)
Write off – early termination of lease	**(17)**	—
Exchange realignment	**2**	5
At 31 December	**5,567**	8,246

(b) Lease liabilities

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

	2023	2022
	RMB'000	*RMB'000*
Carrying amount at 1 January	**9,598**	8,738
New leases	**136**	2,660
Write off – early termination of lease	**(25)**	—
Accretion of interest recognised during the year	**410**	526
Payments	**(3,540)**	(2,331)
Exchange realignment	**2**	5
Carrying amount at 31 December	**6,581**	9,598
Analysed into:		
Current portion	**3,292**	3,123
Non-current portion	**3,289**	6,475
Analysed into:		
Lease liabilities repayable:		
Within one year	**3,292**	3,123
In the second year	**2,604**	3,246
In the third to fifth years, inclusive	**685**	3,229
	6,581	9,598

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

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

	2023	2022
	RMB'000	*RMB'000*
Interest on lease liabilities	**410**	526
Depreciation charge of right-of-use assets	**2,800**	2,937
Expense relating to short-term leases	**3,681**	3,298
Total amount recognised in profit or loss	**6,891**	6,761

(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 2022, 31 December 2022, 1 January 2023 and 31 December 2023	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 18.4% (2022: from 17.7% to 18.5%) 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% (2022: 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 2023

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% (2022: 17.7%) 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% (2022: 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:

	2023	2022
	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 2023 and 31 December 2022. 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 2023

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 2023	
Cost at 1 January 2023, net of accumulated amortisation	309
Additions	753
Amortisation provided during the year	(201)
At 31 December 2023	861
At 31 December 2023:	
Cost	1,914
Accumulated amortisation	(1,053)
Net carrying amount	861
31 December 2022	
At 1 January 2022:	
Cost	1,163
Accumulated amortisation	(737)
Net carrying amount	426
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 and 1 January 2023:	
Cost	1,161
Accumulated amortisation	(852)
Net carrying amount	309

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17. INVESTMENT IN JOINT VENTURE

	2023	2022
	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有限公司 ("**體育科技**")	Registered capital	PRC/ Chinese Mainland	Nil (2022: 51%)	Provision of application development services

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

The joint venture was deregistered during the year ended 31 December 2023.

The Group's interest in the joint venture as at 31 December 2022 was 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 nil (2022: RMB10,000) and RMB49,000 (2022: RMB49,000), respectively.

The loan to a joint venture as at 31 December 2022 was unsecured, interest-free and repayable on demand. In the opinion of the directors, the amount was unlikely to be repaid in the foreseeable future and was 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 might be impaired as at 31 December 2022. Impairment loss of RMB334,000 was charged to the consolidated statement of profit of loss for the year ended 31 December 2022 as the recoverable amount was lower than its carrying amount.

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18. INVESTMENT IN AN ASSOCIATE

	2023	2022
	RMB'000	*RMB'000*
Share of net assets/(liabilities)	**3,139**	(1,060)
Goodwill on acquisition	**1,968**	1,968
	5,107	908

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group	Principal activities
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/ Chinese Mainland	49% (2022: 49%)	Provision of promoting and event organising services

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

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

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

The following table illustrates the financial information in respect of the Group's associate:

	2023	2022
	RMB'000	*RMB'000*
Share of the associate's profit for the year	**4,199**	321
Carrying amount of the Group's investment in the associate	**5,107**	908

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19. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
	RMB'000	*RMB'000*
Equity investments designated at fair value through other comprehensive income		
Listed equity investment, at fair value		
Lavin Group Holdings Limited	**5,764**	17,217
Unlisted equity investment, at fair value		
Velocious Technologies Inc	**26,006**	25,127
	31,770	42,344

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 2023, net fair value loss of RMB12,029,000 (2022: RMB736,000) was recognised in other comprehensive income of the Group.

20. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	RMB'000	*RMB'000*
Unlisted investment, at fair value	**13,101**	16,354

The above equity investment was classified as a financial asset 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 2023, a fair value loss of RMB3,807,000 (2022: RMB329,000) was included in "other expenses, net" in the consolidated statement of profit or loss.

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31 December 2023

21. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Billed receivables	**310,530**	157,078
Impairment	**(2,216)**	(9,489)
	308,314	147,589
Unbilled receivables	**89,323**	161,270
	397,637	308,859

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

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

	2023	2022
	RMB'000	*RMB'000*
Within 1 month	**287,435**	119,544
1 to 3 months	**6,498**	13,796
Over 3 months	**14,381**	14,249
	308,314	147,589

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

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**9,489**	2,498
Impairment losses, net *(note 6)*	**1,031**	8,963
Amount written off as uncollectible	**(8,304)**	(1,972)
At end of year	**2,216**	9,489

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21. TRADE RECEIVABLES *(Continued)*

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.

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 2023

		Past due				
	Current	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**Over 1 year**	**Total**
Expected credit loss rate	**0.03%**	**0.04%**	**0.79%**	**5.63%**	**100%**	**0.55%**
Gross carrying amount *(RMB'000)*	**353,450**	**23,427**	**6,551**	**15,241**	**1,184**	**399,853**
Expected credit losses *(RMB'000)*	**113**	**9**	**52**	**858**	**1,184**	**2,216**

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

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 *RMB'000*	2022 *RMB'000*
Prepayments	**11,628**	8,950
Deposits	**2,491**	2,440
Other receivables	**3,852**	4,890
	17,971	16,280
Portion classified as current assets	**(17,270)**	(15,579)
Portion classified as non-current assets	**701**	701

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

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 2023 and 2022, the loss allowance was assessed to be minimal.

Included in the Group's deposits and other receivables is an amount due from an associate of approximately RMB3,151,000 as at 31 December 2023 (2022: RMB2,500,000) which is unsecured, interest bearing at 4.35% per annum (2022: 4.35% per annum) and repayable within 12 months.

23. CASH AND CASH EQUIVALENTS

	2023	2022
	RMB'000	*RMB'000*
Cash and bank balances	**307,079**	300,269
Time deposits	**665**	665
	307,744	300,934
Less: Pledged time deposits:		
Pledged time deposits	**(665)**	(665)
Cash and cash equivalents	**307,079**	300,269

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

	2023	2022
	RMB'000	*RMB'000*
RMB	**287,769**	281,872
Others	**19,310**	18,397
Cash and cash equivalents	**307,079**	300,269

The RMB is not freely convertible into other currencies, however, under Chinese Mainland'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.

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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:

	2023	2022
	RMB'000	*RMB'000*
Within 1 month	**276,961**	186,269
1 to 3 months	**16,563**	53,006
Over 3 months	**45,881**	50,320
	339,405	289,595

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

25. OTHER PAYABLES AND ACCRUALS

		2023	2022
	Notes	***RMB'000***	*RMB'000*
Contract liabilities	*(a)*	**8,407**	2,806
Dividend payable		**20,302**	12,602
Other payables and accruals	*(b)*	**33,511**	26,223
		62,220	41,631

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:

	2023	2022
	RMB'000	*RMB'000*
Experiential marketing services	**7,122**	2,100
Digital and communication services	**1,285**	706
IP development	**—**	—
	8,407	2,806

(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	Temporary differences on lease liabilities and right-of-use assets RMB'000	Total RMB'000
At 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 and at 1 January 2023		3,112	338	3,450
Deferred tax credited to profit or loss during the year	10	—	(85)	(85)
At 31 December 2023		3,112	253	3,365

Deferred tax assets

	Note	Impairment of financial assets RMB'000
At 1 January 2022		1,085
Deferred tax charged to profit or loss during the year	10	(727)
At 31 December 2022 and 1 January 2023		358
Deferred tax credited to profit or loss during the year	10	196
At 31 December 2023		554

The Group has tax losses arising in Chinese Mainland of approximately RMB4,177,000 (2022: RMB8,816,000) as at 31 December 2023, that will expire in one to five years for offsetting against future taxable profits.

The Group also has tax losses arising in Hong Kong of RMB19,293,000 (2022: RMB18,403,000) that is available indefinitely for offsetting against future taxable profit of the company in which the loss arose.

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26. DEFERRED TAX *(Continued)*

Deferred tax assets have not been recognised in respect of the tax losses as at 31 December 2021 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.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland China in respect of earnings generated from 1 January 2008. The applicable rate is 5% or 10% for the Group.

At 31 December 2023, deferred tax liabilities of RMB3,112,000 (2022: 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 Chinese Mainland.

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 Chinese Mainland 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 Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB162,149,000 (2022: RMB145,238,000) at 31 December 2023.

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

27. ISSUED CAPITAL

Shares

	2023	2022
	RMB'000	*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 2022: 744,742,000 ordinary shares of HK$0.001 each)	**659**	659

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27. ISSUED CAPITAL *(Continued)*

Shares *(Continued)*

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

	Note	**Number of shares**	**Share capital** *RMB'000*	**Share premium** *RMB'000*
Issued and fully paid:				
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	*(a)*	(8,976,000)	(8)	(16,049)
Dividend paid		—	—	(53,764)
At 31 December 2022 and at 1 January 2023		744,742,000	659	182,541
Dividend paid		—	—	(70,570)
At 31 December 2023		744,742,000	659	111,971

(a) 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 PLAN

Share Option Scheme

2019 Share Option Scheme

The Company has adopted a share option scheme (the "**2019 Share Option Scheme**") on 29 December 2019. A summary of the principal terms of the rules of the 2019 Share Option Scheme was set out in the annual report of the Company for the year ended 31 December 2022. The 2019 Share Option Scheme was subsequently terminated on 16 May 2023. Since the adoption of the 2019 Share Option Scheme and up to its termination, no share option was granted, exercised, outstanding, cancelled or lapsed under the 2019 Share Option Scheme.

2023 Share Option Scheme

In light of the amendments to Chapter 17 of the Listing Rules which came into effect on 1 January 2023, the Company terminated the 2019 Share Option Scheme and adopted a new share option scheme (the "**2023 Share Option Scheme**") pursuant to the resolutions passed by the Shareholders at the annual general meeting of the Company held on 16 May 2023. The 2023 Share Option Scheme shall be valid and effective for a period of ten years from its adoption date. The remaining life of the 2023 Share Option Scheme is approximately nine years. Since the adoption of the 2023 Share Option Scheme and up to 31 December 2023, no share option was granted, exercised, outstanding, cancelled or lapsed under the 2023 Share Option Scheme.

Share award scheme

On 30 March 2020 (the "**Adoption Date**"), the Company adopted a share award scheme (the "**Share Award Scheme**") for the purpose of recognising 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.

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 RMB9,754,000 (2022: RMB18,617,000) for the year ended 31 December 2023.

During the year ended 31 December 2023, 24,792,684 (2022: 18,400,000) Awarded Shares were granted to certain executive directors and employee of the Group.

During the year ended 31 December 2023, nil (2022: 18,400,000) Awarded Shares were vested and transferred to certain executive directors of the Company. During the year ended 31 December 2023, 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 nil (2022: 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 2023, the Trustee acquired for the Share Award Scheme 15,540,000 ordinary shares (2022: 22,110,000 ordinary shares) of the Company through purchases on the open market at a total cost (including related transaction costs) of approximately RMB18,689,000 (2022: RMB13,682,000). The share award scheme does not constitute a share option scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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 125 to 126 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 2023

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year ended 31 December 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB136,000 and RMB136,000, respectively, in respect of lease arrangements for certain leased properties.

(ii) 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.

(b) Changes in liabilities arising from financing activities

	Lease liabilities
	RMB'000
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 and at 1 January 2023	9,598
Changes from financing cash flows	(3,540)
Addition	136
Write-off	(25)
Interest expense	410
Foreign exchange movement	2
At 31 December 2023	6,581

(c) Total cash outflow for leases

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

	2023	2022
	RMB'000	*RMB'000*
Within operating activities	**3,681**	3,298
Within financing activities	**3,540**	2,331
	7,221	5,629

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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:

	Notes	**2023** **RMB'000**	2022 RMB'000
Related company:			
Short-term leases expenses	*(i)*	**2,250**	2,250
Associate:			
Interest income	*(ii)*	**275**	—

Notes:

(i) 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.

(ii) Interest income is arising from an amount due to an associate of RMB3,150,000 (2022: RMB2,150,000), which is non-secured, interest bearing at 4.35% per annum (2022: 4.35% per annum) and repayable within 12 months.

(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:

	2023 **RMB'000**	2022 RMB'000
Short-term employee benefits	**12,282**	10,379
Share-based payment expenses	**8,717**	18,617
Post-employment benefits	**820**	721
Total compensation paid to key management personnel	**21,819**	29,717

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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	Financial asset at fair value through profit or loss	Financial assets at amortised cost	Total
	Equity investment			
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023				
Equity investments at fair value through other comprehensive income	**31,770**	**—**	**—**	**31,770**
Equity investments at fair value through profit or loss	**—**	**13,101**	**—**	**13,101**
Trade receivables	**—**	**—**	**397,637**	**397,637**
Financial assets included in prepayments, deposits and other receivables	**—**	**—**	**6,343**	**6,343**
Pledged bank deposits	**—**	**—**	**665**	**665**
Cash and cash equivalents	**—**	**—**	**307,079**	**307,079**
	31,770	**13,101**	**711,724**	**756,595**
31 December 2022				
Equity investments at fair value through other comprehensive income	42,344	—	—	42,344
Equity investments 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

32. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
31 December 2023	
Trade payables	**339,405**
Financial liabilities included in other payables and accruals	**23,480**
Lease liabilities	**6,581**
	369,466
31 December 2022	
Trade payables	289,595
Financial liabilities included in other payables and accruals	15,401
Lease liabilities	9,598
	314,594

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	
	2023	2022
	RMB'000	*RMB'000*
Financial assets		
Equity investments designated at fair value through other comprehensive income	**31,770**	42,344
Equity investments at fair value through profit or loss	**13,101**	16,354
	44,871	58,698

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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

	Fair values	
	2023	2022
	RMB'000	*RMB'000*
Financial assets		
Equity investments designated at fair value through other comprehensive income	**31,770**	42,344
Equity investments at fair value through profit or loss	**13,101**	16,354
	44,871	58,698

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 2023

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 2023 and 2022:

	Valuation Technique	Significant input unobservable	Range	Sensitivity of fair value to the input
As at 31 December 2023				
Unlisted equity investment	Equity value allocation method	Average EV to sales multiple of peers	7	5% increase/decrease in multiple would result in increase/ decrease in fair value by RMB1,313,000
		Discount for Lack of marketability	24%	5% increase/decrease in discount rate would result in increase/ decrease in fair value by RMB418,000
As at 31 December 2022				
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
As at 31 December 2023				
Investment at fair value through other comprehensive income	5,764	—	26,006	31,770
Investment at fair value through profit or loss	—	13,101	—	13,101
	5,764	13,101	26,006	44,871

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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

Fair value hierarchy *(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 2022				
Investment 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

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

	2023 ***RMB'000***	2022 *RMB'000*
Equity investments at fair value through other comprehensive income		
At 1 January	**25,127**	—
Purchases	**—**	20,000
Total gain recognised in other comprehensive income	**—**	3,527
Exchange realignment	**879**	1,600
At 31 December	**26,006**	25,127

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2022: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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.

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 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	399,853	399,853
Financial assets included in prepayments, deposits and other receivables					
— Normal**	6,343	—	—	—	6,343
Pledged bank deposits					
— Not yet past due	665	—	—	—	665
Cash and cash equivalents					
— Not yet past due	307,079	—	—	—	307,079
	314,087	—	—	399,853	713,940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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

Credit risk *(Continued)*

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

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	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

* 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:

	2023	2022
	%	%
Trade receivables from:		
The largest debtor	**31**	20
The five largest debtors	**69**	53

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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

Liquidity risk

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

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

	Less than 1 year	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2023			
Trade payables	**339,405**	**—**	**339,405**
Financial liabilities included in other payables and accruals	**23,480**	**—**	**23,480**
Lease liabilities	**3,566**	**3,457**	**7,023**
	366,451	**3,457**	**369,908**
31 December 2022			
Trade payables	289,595	—	289,595
Financial liabilities included in other payables and accruals	15,401	—	15,401
Lease liabilities	3,123	6,908	10,031
	308,119	6,908	315,027

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 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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

Capital management *(Continued)*

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

	2023	2022
	RMB'000	*RMB'000*
Lease liabilities *(note 14)*	**6,581**	9,598
Total debt	**6,581**	9,598
Total equity	**359,975**	353,590
Gearing ratio (%)	**1.83**	2.71

35. COMMITMENTS

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

	2023	2022
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Capital contribution payables	**8,100**	5,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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:

	2023	2022
	RMB'000	*RMB'000*
NON-CURRENT ASSET		
Investments in subsidiaries	**37,094**	37,094
CURRENT ASSETS		
Cash and bank balances	**7,475**	17,463
Due from shareholder	**65**	64
Due from subsidiaries	**173,244**	162,087
Total current assets	**180,784**	179,614
CURRENT LIABILITIES		
Other payables and accruals	**82**	143
Total current liabilities	**82**	143
NET CURRENT ASSETS	**180,702**	179,471
NET ASSETS	**217,796**	216,565
EQUITY		
Issued capital	**659**	659
Reserves *(note)*	**217,137**	215,906
Total equity	**217,796**	216,565

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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

Note:

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

	Share premium	Other reserve	Capital redemption reserve	Exchange Fluctuation reserve	Retained profits/ (accumulated losses)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	RMB'000
At 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 and 1 January 2023	182,541	1,920	21,748	(800)	10,497	215,906
Profit for the year	—	—	—	—	83,208	83,208
Other comprehensive loss for the year	—	—	—	(239)	—	(239)
Dividend paid	(70,570)	—	—	—	(11,168)	(81,738)
At 31 December 2023	111,971	1,920	21,748	(1,039)	82,537	217,137

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 11 March 2024.

CORPORATE INFORMATION

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Mr. Law Kwok Chun

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CORPORATE INFORMATION

SHARE LISTING

Main Board of The Stock Exchange of Hong Kong Limited

STOCK CODE

9919

LISTING DATE

16 January 2020

INVESTOR AND MEDIA RELATIONS CONSULTANT

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GLOSSARY

"ACT Partners"	ACT Partners Global Ltd., a company incorporated in the BVI with limited liability on 10 December 2018, which is wholly-owned by Mr. Chan
"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 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
"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

GLOSSARY

"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"	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
"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
"FY2022" or "2022"	the financial year ended 31 December 2022

GLOSSARY

"FY2023" or "2023"	the financial year ended 31 December 2023
"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 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
"Listing Date"	16 January 2020, the date on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding the options market) operated by the Stock Exchange and which is independent from and operated in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of the Company, conditionally adopted on 2 June 2022 (as amended, supplemented or otherwise modified from time to time)

GLOSSARY

"Mr. Chan"	Mr. Chan Wai Bun (陳偉彬), an executive Director and co-chief operating officer 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 financial officer of the Group and a Controlling Shareholder
"Ms. Low"	Ms. Low Wei Mun (劉慧文), an executive Director and co-chief operating officer 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 schemes and share award schemes adopted by the Company from time to time, including the 2023 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