

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

GLOBAL OFFERING

ACTIVATION GROUP

Sole Sponsor



Sole Financial Advisor



Joint Global Coordinators,
Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

ACTIVATION GROUP 艾德韦宣 Activation Group Holdings Limited 艾德韋宣集團控股有限公司 (Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	200,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	20,000,000 Shares (subject to adjustment)
Number of International Placing Shares	:	180,000,000 Shares (subject to adjustment and the Over-allotment Option)
Offer Price	:	HK\$1.71 to HK\$2.34 per Offer Share (payable in full at the maximum Offer Price on application in Hong Kong dollars, subject to refund on final pricing, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
Nominal value	:	HK\$0.001 per Share
Stock code	:	9919

Sole Sponsor



Sole Financial Advisor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors".

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 9 January 2020 and, in any event, not later than Monday, 13 January 2020. The Offer Price will be not more than HK\$2.34 and is currently expected to be not less than HK\$1.71, unless otherwise announced. If, for any reason, the Offer Price is not agreed by Monday, 13 January 2020 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse. Applicants for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$2.34 for each Hong Kong Offer Share, together with a 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, subject to refund if the Offer Price is lower than HK\$2.34 as finally determined.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range at any time on or prior to the morning of the last day for lodging applications under the Global Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published on our website at www.activation-gp.com and the Stock Exchange's website at www.hkexnews.hk not later than the morning of the last day for lodging applications under the Global Offering. Please refer to the section headed "Structure and Conditions of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" for further details. Please also refer to the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination".

The obligations of the Underwriters under the Underwriting Agreements to subscribe for, and to procure the applicants for the subscription for, the Offer Shares, are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the US Securities Act and may not be offered, sold, pledged, or transferred within the United States or to, or for the account or benefit of, US persons, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the US Securities Act.

EXPECTED TIMETABLE

We will issue an announcement on our website at www.activation-gp.com and the Stock Exchange's website at www.hkexnews.hk if there is any change in the following expected timetable of the Hong Kong Public Offering:

Latest time to complete electronic applications under White Form eIPO service through the designated website at www.eipo.com.hk ⁽⁴⁾	11:30 a.m. on Thursday, 9 January 2020
Application lists open ⁽²⁾	11:45 a.m. on Thursday, 9 January 2020
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Thursday, 9 January 2020
Latest time to give electronic application instructions to HKSCC ⁽³⁾	12:00 noon on Thursday, 9 January 2020
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, 9 January 2020
Application lists close ⁽²⁾	12:00 noon on Thursday, 9 January 2020
Expected Price Determination Date ⁽⁵⁾	Thursday, 9 January 2020
Announcement of the Offer Price, the indication of the levels of interest in the International Placing, the level of application in the Hong Kong Public Offering and the basis of allocation under the Hong Kong Public Offering to be published on the Stock Exchange's website at www.hkexnews.hk and our website at www.activation-gp.com on or before	Wednesday, 15 January 2020

EXPECTED TIMETABLE

Results of allocations in the Hong Kong Public

Offering (with successful applicants' identification document numbers, where appropriate) will be available through a variety of channels, as described in the section headed

“How to Apply for the Hong Kong Offer Shares

– 11. Publication of Results” from Wednesday,
15 January 2020

Results of allocations in the Hong Kong Public

Offering will be available at www.iporesults.com

(alternatively: English <https://www.eipo.com.hk/Allotment>;

Chinese <https://www.eipo.com.hk/zh-hk/Allotment>)

with a “search by ID” function Wednesday,
15 January 2020

Despatch of Share certificates in respect of wholly or partially successful applications and

White Form e-Refund payment

instructions/refund cheques in respect of wholly or partially unsuccessful or wholly successful

(if applicable) applications on or before⁽⁶⁾ Wednesday,
15 January 2020

Dealings in Shares on the Stock Exchange

to commence on Thursday,
16 January 2020

The application for the Offer Shares will commence on Tuesday, 31 December 2019 through Thursday, 9 January 2020. Such time period is longer than the normal market practice of four days. The application monies (including brokerage fees, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Wednesday, 15 January 2020. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Thursday, 16 January 2020.

Notes:

- (1) All times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure and Conditions of the Global Offering – Conditions of the Global Offering”.
- (2) If there is/are a “black” rainstorm warning, a tropical cyclone warning signal number eight or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 9 January 2020, the application lists will not open or close on that day. Please refer to the section headed “How to Apply for the Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists”.

EXPECTED TIMETABLE

- (3) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for the Hong Kong Offer Shares – 6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS”.
- (4) Applicants will not be permitted to submit their application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If an applicant has already submitted its application and obtained an application reference number from the designated website prior to 11:30 a.m., the applicant will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (5) We expect to determine the Offer Price by agreement with the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 9 January 2020 and, in any event, not later than Monday, 13 January 2020. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before Monday, 13 January 2020, the Hong Kong Public Offering and the International Placing will not proceed and will lapse.
- (6) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Hong Kong Offer Shares and are eligible to collect Share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 January 2020 or any other date notified by us. Applicants being individuals who are eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering may collect their refund cheques, if any, in person but may not elect to collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected Share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post to the addressees specified in the relevant Application Forms at the applicants’ own risk. Further information is set out in the section headed “How to Apply for the Hong Kong Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies”.

e-Refund payment instructions or refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications if the Offer Price is less than the initial price payable on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque. Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to that bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Share certificates will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects; and (ii) none of the Underwriting Agreements has been terminated. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

EXPECTED TIMETABLE

You should read carefully the sections headed “Underwriting”, “How to Apply for the Hong Kong Offer Shares” and “Structure and Conditions of the Global Offering” for additional information regarding the Global Offering, including the conditions to the Global Offering, how to apply for the Hong Kong Offer Shares, the expected timetable, the effects of bad weather and the despatch/collection of Share certificates and refund of your application monies.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Global Offering and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Global Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information not given or representation not made in this prospectus and the Application Forms must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, employees, agents or representatives, or any other parties involved in the Global Offering. Information contained in our website, located at www.activation-gp.com does not form part of this prospectus.

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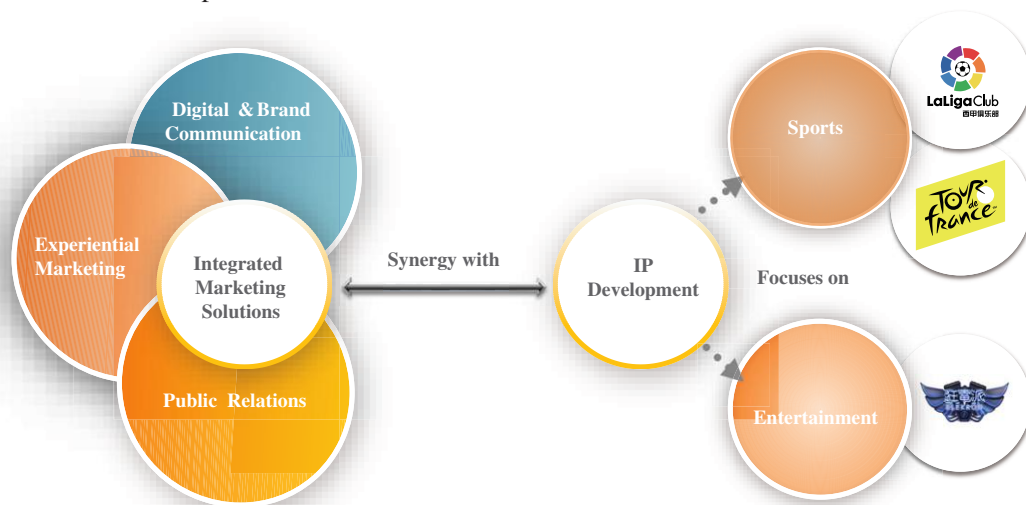
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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide whether to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the section headed “Definitions” and “Glossary of Technical Terms” in this prospectus.

BUSINESS OVERVIEW

We are a leading and fast growing integrated marketing solutions provider that focuses on the provision of (i) experiential marketing, (ii) digital and brand communication, and (iii) public relations services which mainly operates in Shanghai and Beijing with coverage in Greater China. According to the CIC Report, in 2018 we ranked first, accounting for approximately 6.3% of the market share, in the experiential marketing services for premium and luxury brands market in Greater China, the market where our Group is operating and which has a market size of approximately RMB7.9 billion. We also focus on tapping into the sports and entertainment IP development sector. Since 2016, we have started our IP development business for sports market where we entered into IP Cooperation Agreements with each of LaLiga and ASO for granting us exclusive rights to organise authorised events with LaLiga Club brand and Le Tour de France brand and other rights for marketing, sponsorship, merchandising and other uses in the PRC, subject to the terms of the respective IP Cooperation Agreements. In 2017, we also established Stufish Asia with Stufish Productions to tap into entertainment IP development business.



It has been our Group’s mission to promote our clients’ premium and luxury brands and IPs establishment in Greater China and create value to our clients by offering them with integrated marketing solutions.

Our services and projects

Integrated marketing solutions

As the leading experiential marketing services provider to international premium and luxury brands in Greater China, we provide a comprehensive range of marketing solutions to our clients including, but not limited to, creative design services for the event concept, event planning and management, event venue set-up (e.g. assembly of installations at the event, etc.) and event execution. Our role is to formulate marketing solutions based on the design briefs from our clients and to work together with them to implement our tailored design and execution event plan for their target customers. We also directly engage various suppliers as required for the event and ensure that the event is well set up to fit our clients’ needs and at the same time in compliance with applicable laws and regulations. Some of the landmark events we were engaged in include Prada SS20 Menswear Fashion Show, Dior Addict Launch Event and AudiBrand Summit & Audi Q8 World Premiere, in which we implemented our clients’ design concept, coordinated production and venue setup and organised the event.

SUMMARY

We also provide online digital and brand communication services to our clients. Our services include launching marketing campaigns for our clients on social media platforms such as Weibo, WeChat, 抖音 (Douyin), 小紅書 (Redbook), Facebook and Instagram. For instance, in the Timberland Digital Campaign held in 2017, we were engaged to provide digital strategy to promote our clients' products in the online platforms such as Tmall and we also assist our clients with the support of KOL engagement and digital media advertising. In the same campaign, we also offer Big Data analysis to review statistics on visits, clicks and views on various online platforms to ascertain consumers' preferences. The MaxMara Digital Campaign held in 2018 is another example where we were engaged in digital communication planning with post-campaign analysis. In addition, we provide public relations services to our clients which consists of premium and luxury brands. Our services include public relations strategic consultancy services, day to day client communications, media relationship management, liaison and celebrity coordination services. Some landmark public relations events we were engaged in providing celebrity coordination services include Bazaar Star's Charity Night in 2018 and FRED China World Store Opening in 2019.

We usually provide digital and brand communication and public relations services together with our experiential marketing events. Likewise, in addition to coordinating a brand ambassador for an event project, we also provide digital campaign to support the brand communication and amplification.

IP development

For the sports IP development business, we entered into the LaLiga Cooperation Agreements with LaLiga for an aggregate term of ten years from August 2016, under which we were granted with exclusive rights from LaLiga, the men's top professional football division of the Spanish football league system, to use the brand of "LaLiga Club" (i.e. any composite logos or marks comprising any one or more LaLiga's logo together with a mark referred to LaLiga Club) in the authorised events in the PRC to build and promote the brand through the distribution or sale of merchandising and related promotional products, design and operation of website and social media site and production of a reality show and/or a TV series based on LaLiga Club subject to the terms of the LaLiga Cooperation Agreements. We were also granted the exclusive right to design, create and operate an experience centre and an amateur football competition for the LaLiga Club members. Exclusive rights were also granted from the ASO Cooperation Agreements to use the brand of "Le Tour de France" in the PRC for an extended term till 2026 to organise, promote and run the cycling events, namely Critérium and L'Étape, as well as organising public relations programs and potential side events pertaining to the races. We organised Critérium races in Shanghai in 2017 and 2018 and L'Étape races in Changsha in 2017 and Beijing in 2018. In 6M2019, we organised a L'Étape race in Zhuji, Zhejiang in May 2019.

For the entertainment IP development business, we entered into a joint venture agreement with Stufish Productions, a UK-based world recognised leader in producing entertainment shows, to expand and develop live entertainment services of Stufish Asia, as well as producing and managing live events in the PRC, Hong Kong, Macau, Taiwan and Singapore. Stufish Asia produced and operated its first live stunt show "ELEKTRON" at Studio City, Macau in 2019. For further details of the agreement, please refer to section headed "Business – Our IP Development – Our entertainment IP development" in this prospectus.

Gross profit and gross profit margins

Set out below is a breakdown of our gross profit and gross profit margins by service lines during the Track Record Period.

	Year ended 31 December						Six months ended 30 June			
	2016		2017		2018		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Integrated marketing solutions										
Experiential marketing services	105,244	34.6	112,416	29.4	135,100	26.2	55,385	26.1	54,180	27.7
Digital and brand communication services	21,837	56.7	20,098	39.1	33,367	30.8	11,033	28.1	16,472	36.3
Public relations services	7,283	46.7	11,746	61.9	7,743	33.7	4,011	64.1	6,173	49.8
	<u>134,364</u>	<u>37.5</u>	<u>144,260</u>	<u>31.9</u>	<u>176,210</u>	<u>27.3</u>	<u>70,429</u>	<u>27.3</u>	<u>76,825</u>	<u>30.3</u>

SUMMARY

	2016		Year ended 31 December			2018		Six months ended 30 June		
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	% RMB'000
IP development										
Sports and entertainment services	788	23.4	5,035	12.7	(3,804)	(9.9)	-	N/A	10,837	55.7
	<u>135,152</u>	37.4	<u>149,295</u>	30.3	<u>172,406</u>	25.2	<u>70,429</u>	27.3	<u>87,662</u>	32.1

Our revenue

Set out below is our revenue breakdown by service lines.

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Integrated marketing solutions					
Experiential marketing services	304,340	382,579	514,721	212,267	195,800
Digital and brand communication services	38,504	51,363	108,204	39,261	45,398
Public relations services	15,596	18,972	23,006	6,257	12,388
	<u>358,440</u>	<u>452,914</u>	<u>645,931</u>	<u>257,785</u>	<u>253,586</u>
IP development					
Sports and entertainment services	3,374	39,552	38,404	-	19,463
	<u>361,814</u>	<u>492,466</u>	<u>684,335</u>	<u>257,785</u>	<u>273,049</u>

Set out below is our revenue breakdown by geographical locations.

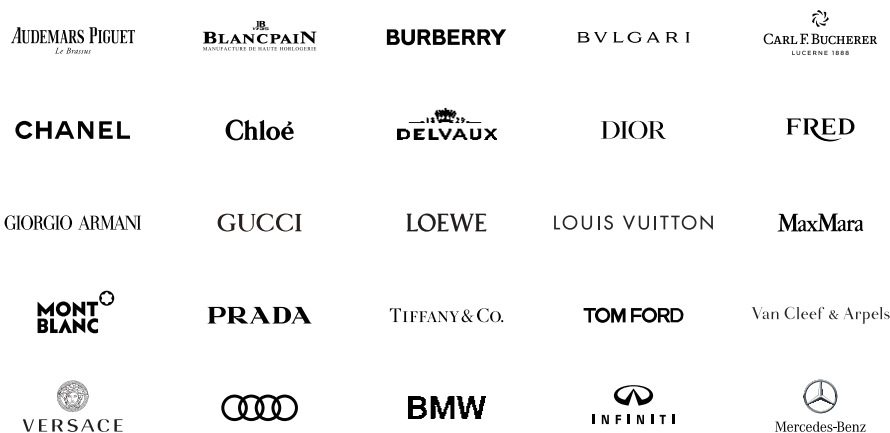
	2016		Year ended 31 December			2018		Six months ended 30 June		
	RMB'000	(%)	2017	(%)	2018	(%)	2018	(%)	2019	(%)
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Geographical locations										
Integrated marketing solutions										
Mainland China	289,447	79.9	385,216	78.3	567,009	82.9	205,030	79.5	233,331	85.4
Hong Kong	54,522	15.1	61,397	12.5	68,989	10.1	49,335	19.1	20,255	7.4
Singapore	14,471	3.4	6,301	1.3	9,933	1.5	3,420	1.3	-	-
	<u>358,440</u>		<u>452,914</u>		<u>645,931</u>		<u>257,785</u>		<u>253,586</u>	
IP development										
Mainland China	3,374	1.0	39,552	8.0	38,404	5.6	-	-	19,463	7.2
Total revenue	<u>361,814</u>		<u>492,466</u>		<u>684,335</u>		<u>257,785</u>		<u>273,049</u>	

SUMMARY

Our clients

During the course of our normal business operation, our Group has categorised and grouped clients by brands instead of by project contracting entities. During the Track Record Period, we derived approximately 29.1%, 40.1%, 26.6% and 32.6% of our revenue from our five largest brands of clients, respectively. For the same period, we derived approximately 7.9%, 17.4%, 8.5% and 11.3% of our revenue from our largest brand of client, respectively.

Our clients consist of international premium and luxury brands in the fashion industry as well as the automobile industry through which we have developed a strong and stable client relationship. During the Track Record Period, we were involved in the designing and marketing of experiential marketing events for our clients and some of these brands include:



Our pricing strategy

Our Group adopts various pricing strategies including a cost-plus pricing model, business breakeven point analysis or a fixed fee approach when providing quotations. When determining the amount of mark-up, we take into account various factors, including the scope of work, scale, duration and complexity of the project, the costs of labour, material, venue, background of the client, fees charged for previous similar projects and the current market conditions.

Our suppliers

Our suppliers include, among others, venue providers, contractors to set up the venue, production and material suppliers, advertising agents, media, equipment rental companies, transportation and security companies. During the Track Record Period, approximately 24.5%, 25.5%, 18.1% and 23.1% of total cost of sales were attributable to our five largest suppliers, respectively. For the same period, approximately 10.5%, 8.2%, 5.7% and 8.3% of our total cost of sales were attributable to our largest supplier, respectively.

Government grants

During the Track Record Period, we received certain government grants from the PRC government as an incentive to support our business development, contribution to local economies and contribution to the development of cultural industry in specific cities. For FY2016, FY2017, FY2018 and 6M2019, we received government grant of approximately RMB6.2 million, RMB4.2 million, RMB6.6 million and RMB6.4 million, respectively. The government grants are non-recurring in nature and there is no certainty as to whether we may continue to receive such government grants, or at all.

Seasonality

Our Group's business is subject to seasonality. We typically record lower sales during the first half of the financial year, which is in line with the seasonality trend of general marketing services for premium and luxury brands in the PRC according to the CIC Report.

SUMMARY

Non-compliance

During the Track Record Period and up to the Latest Practicable Date, we had failed to comply with certain PRC laws and regulations, including (i) failure to make full social insurance contribution in the PRC for our foreign employees and our employees with Hong Kong, Macau or Taiwan residency; and (ii) failure to comply with the requisite approval/filing requirements in the PRC in respect of our investments in Activation Events HK and Activation Marketing. For further details, please refer to the section headed “Business – Non-Compliance” for further details.

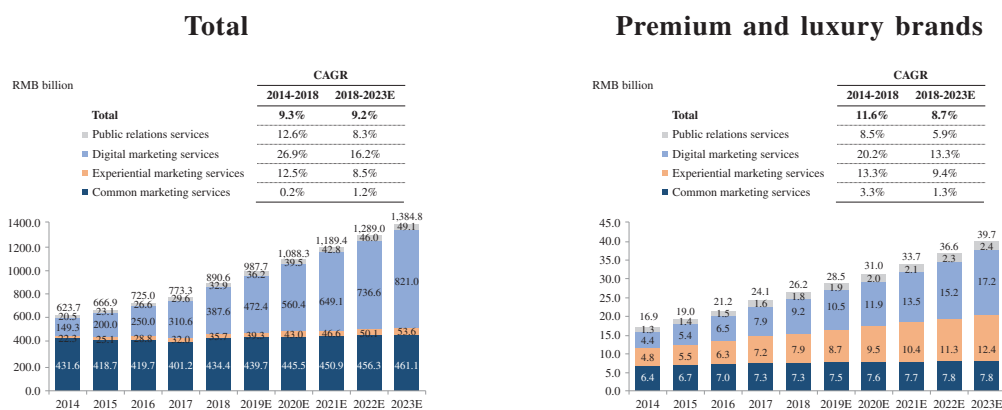
COMPETITIVE LANDSCAPE AND OUR COMPETITIVE STRENGTHS

Industry outlook and prospect

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

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

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



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

Competitive landscape

According to the CIC Report, there are approximately 10 players in the market of large-scale experiential marketing services for premium and luxury brands in Greater China and hundreds of small-to-medium sized market participants in the market of small-to-medium scale experiential marketing services for premium and luxury brands in Greater China, with the leading five market participants accounting for a share of approximately 19.0% in terms of revenue in 2018. Our Group is a leading and fast growing integrated marketing solutions provider who ranked first in the experiential marketing service for premium and luxury brands market in Greater China, with a revenue of RMB0.5 billion in 2018, accounting for a share of approximately 6.3%.

Competitive strengths

We believe that the following competitive strengths have been the key factors for our success and will enable us to maintain our market position and capture the anticipated future growth in our target markets:

- The leading and fast growing experiential marketing service provider for premium and luxury brands market in Greater China

SUMMARY

- One stop integrated marketing solutions provider for international premium and luxury brands in the Greater China market
- Visionary management with strong experience and a mechanism that rewards management and business partners with ownership to encourage cooperation and expansion
- Proven track record of acquisition and cooperation for expansion and successful integration of acquired businesses, which our Activation Digital and Activation PR have grown substantially after our acquisition
- Exclusive rights to organise authorised events and other rights for marketing, sponsorship, merchandising and other uses in the PRC for two major international sporting IPs, LaLiga Club and Le Tour de France, which set a solid foundation for us to capture the vast sports market in the PRC
- Well positioned to capture the market opportunities, riding on factors such as (i) the increase of high net income and mass affluent population in the PRC; (ii) substantially higher marketing budget for premium and luxury brands; and (iii) Central government’s promotion of the sports industry

For details of our competitive strengths, please refer to the section headed “Business – Our Competitive Strengths” in this prospectus.

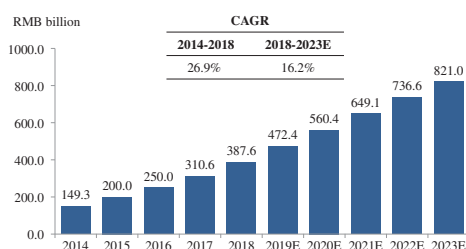
BUSINESS STRATEGIES

We plan to further increase our market share and enhance our overall competitiveness as a leading integrated marketing solutions provider and to further expand our IP development business by implementing the following strategies:

- Scale up our integrated marketing solutions business, recruit high caliber talent and improve operating efficiency, in particular for our digital and brand communication services
- Expand our geographical coverage and increase our clientele by establish an office in Paris for expanding our client base in the European market
- Expand our geographical coverage and increase our clientele by establish an office in Guangzhou and capture business opportunities arising from the Bay Area
- Expansion through acquisition and cooperation
- Scale up our IP development business

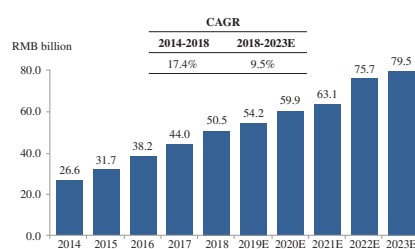
Our business strategies are designed to capture business opportunities arising from the industry outlook, which we highlight, in particular, the projected growth in digital marketing and IP development market below:

Marketing expenditures of the digital marketing solution services, Greater China, 2014-2023E



Source: China International Public Relations Association, CIC

Sales revenue of the IP development for sports market, Greater China, 2014-2023E



Source: CIC

SUMMARY

RISK FACTORS

There are certain risks involved in our operations and in connection with the Listing. Many of these risks are beyond our Group's control and can be categorised into (i) risks relating to our business operations and our industry; (ii) risks relating to doing business in the PRC; (iii) risks relating to doing business in Hong Kong; and (iv) risks relating to the Global Offering and our Shares. Some of the risk factors include the following:

- If we fail to achieve the marketing objectives of the international premium and luxury brand owners, we could lose clients
- We rely on key personnel and may not be able to retain their services
- Our business depends on our ability to maintain our existing business with international premium and luxury brand owners and our ability to attract new clients and we generally do not enter into long term business contracts with our clients
- Our relatively short operating history as an integrated marketing solutions provider may make it difficult to evaluate our prospects and future financial results
- Our business is relevant to the business and the brand recognition of our clients in the premium and luxury brands and automobile brands
- Our business and industry are subject to global economic and market conditions
- We engage third party service providers to provide various services. Their failure to provide us with timely and high quality products and services to us may materially and adversely affect our business operations

As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the section headed "Risk Factors" in this prospectus in its entirety before you decide to invest in the Shares.

KEY OPERATIONAL AND FINANCIAL DATA

The following tables set forth our key selected operational and financial data during the Track Record Period:

Results of operation

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June 2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	361,814	492,466	684,335	257,785	273,049
Cost of sales	(226,662)	(343,171)	(511,929)	(187,356)	(185,387)
Gross profit	135,152	149,295	172,406	70,429	87,662
Selling and distribution expenses	(55,389)	(58,237)	(66,197)	(27,805)	(33,827)
General and administrative expenses	(34,129)	(39,782)	(42,550)	(19,337)	(25,441)
Profit before tax	52,662	42,466	65,260	24,700	34,032
Profit for the year/period	38,489	25,459	43,517	16,742	22,915

Adjusted profit for the year/period (Non-HKFRS measures)

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June 2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year	38,489	25,459	43,517	16,742	22,915
Adjusted for listing expenses	—	—	—	—	5,539
Adjusted profit for the year/period (non-HKFRS measures)*	38,489	25,459	43,517	16,742	28,454

SUMMARY

* We define adjusted profit as profit for the year excluding the listing expenses. The term of adjusted profit is not defined under HKFRS. Our adjusted profit is solely for reference and does not include the abovementioned item that impact our profit or loss for the relevant years/period.

For further details, please refer to the paragraph headed “Key Operational and Financial Data – Adjusted profit (Non-HKFRS measures)” in this section.

Financial position

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Non-current assets	22,812	33,423	31,628	34,944
Current assets	215,772	307,517	373,486	352,043
Non-current liabilities	(9,256)	(8,380)	(9,644)	(11,907)
Current liabilities	(107,222)	(193,681)	(252,868)	(249,725)
Net current assets	108,550	113,836	120,618	102,318
Net assets	122,106	138,879	142,602	125,355*

* The decrease in our net assets as at 30 June 2019 was mainly due to the decrease in our current assets as at 30 June 2019 as a result of the declaration of dividends of approximately RMB33.5 million by a subsidiary of our Company to its then shareholders.

Cash flows

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June	2019
	RMB'000	RMB'000	RMB'000	2018	2019
				RMB'000	RMB'000
Operating cash flow before changes in working capital	55,782	59,875	72,905	29,232	36,355
Net cash flows from/(used in) operating activities	32,002	24,440	58,397	(9,469) [#]	24,971
Net cash flows from/(used in) investing activities	(1,390)	(14,111)	(4,891)	(5,374)	2,617
Net cash flows from/(used in) financing activities	(5,998)	(6,488)	(38,738)	8,314	(11,972)
Net increase/(decrease) in cash and cash equivalents	24,614	3,841	14,768	(6,529)	15,616
Cash and cash equivalents at beginning of year/period	46,451	72,631	70,811	70,811	88,397
Effect of foreign exchange rate changes, net	1,566	(5,661)	2,818	300	(161)
Cash and cash equivalents at end of year/period	72,631	70,811	88,397	64,582	103,852

[#] Our operating cash outflow as at 30 June 2018 was largely due to the increase in our prepayments, deposits and other receivables.

SUMMARY

Key financial ratios

The following table sets forth some of our key financial ratios during the Track Record Period. For their analysis, please refer to the section headed “Financial Information – Summary of Financial Ratios”:

	As at or for the year ended			As at or for the
	2016	31 December 2017	2018	six month period ended 30 June 2019
Gross profit margin (%)	37.4	30.3	25.2	32.1
Current ratio (<i>times</i>)	2.0	1.6	1.5	1.4
Quick ratio (<i>times</i>)	2.0	1.6	1.5	1.4
Return on assets (%)	18.9	8.8	11.7	N/A
Return on equity (%)	34.0	19.5	30.9	N/A
Gearing ratio (%) [*]	10.9	8.2	21.1	19.3
Interest coverage	54.6	63.6	68.4	59.9
Net profit margin (%)	10.6	5.2	6.4	8.4
Adjusted net profit margin (non-HKFRS measures) (%) [#]	10.6	5.2	6.4	10.4

* Gearing ratio is calculated based on our total debt (being the total of bank borrowings and lease liabilities) as at the end of the relevant year/period divided by our total equity attributable to our equity holders as at the end of the corresponding year/period and multiplied by 100%.

Adjusted net profit margin is calculated based on our adjusted net profit for the relevant year/period divided by our revenue of the corresponding year/period and multiplied by 100%. We define adjusted profit as profit for the year excluding the listing expenses. The term of adjusted profit is not defined under HKFRS. Our adjusted profit is solely for reference and does not include the abovementioned item that impact our profit or loss for the relevant years/period.

Revenue

During the Track Record Period, we generated most of our revenue from the provision of experiential marketing services, which accounted for 84.1%, 77.7%, 75.2% and 71.7% of our total revenue for each of FY2016, FY2017, FY2018 and 6M2019, respectively. Apart from experiential marketing services, the provision of digital and brand communication services accounted for 10.6%, 10.4%, 15.8% and 16.6% and provision of public relations services accounted for 4.3%, 3.9%, 3.4% and 4.5% for each of FY2016, FY2017, FY2018 and 6M2019, respectively. During the Track Record Period, our integrated marketing solutions were provided in the PRC, Hong Kong and Singapore. We derived most of our revenue from the PRC during the Track Record Period and our revenue generated from the PRC contributed 80.9%, 86.3%, 88.5% and 92.6% of our total revenue for each of FY2016, FY2017, FY2018 and 6M2019, respectively.

The provision of experiential marketing services has always been our major focus during the Track Record Period. Given the increasing demand for the digital and brand communication services, it has been our strategy to also focus on the development of our digital and brand communication services. As a result, the proportion of provision of our digital and brand communication services increased from 10.6% for FY2016 to 16.6% for 6M2019.

Since 2016, we have started our IP development business for sports market where we entered into IP Cooperation Agreements with each of LaLiga and ASO for granting us exclusive rights to organise authorised events with LaLiga Club brand and Le Tour de France brand and other rights for marketing, sponsorship, merchandising and other uses in the PRC, subject to the terms of respective IP Cooperation Agreements. During the Track Record Period, our revenue generated from IP development business accounted for 1.0%, 8.0%, 5.6% and 7.2% of our total revenue for each of FY2016, FY2017, FY2018 and 6M2019, respectively.

Our Directors consider that there is a good prospect in the business of IP development. Therefore, we have gradually expanded our IP development segment during the Track Record Period resulting in an increasing proportion of revenue contributed by our IP development segment from 1.0% of our total revenue in FY2016 to 7.2% of our total revenue in 6M2019. In IP development business, our income stream is much more diverse. We may derive revenue from our investment income in projects, profit sharing on events, sponsorship, media partners and merchandising activities, ticketing income from sports events, miscellaneous fees and income for various kinds of marketing activities we provided and sponsorships from external parties. For further details of our business operation and prospect in this segment, please refer to the section headed “Business – Our IP Development”.

SUMMARY

Net profit

Our net profit for the period increased by RMB6.2 million, from RMB16.7 million for 6M2018 to RMB22.9 million for 6M2019, mainly as a result of our increase in revenue in 6M2019 as compared to 6M2018 due to our revenue contributed by our IP development business.

Our net profit for the year increased by RMB18.0 million, from RMB25.5 million for FY2017 to RMB43.5 million for FY2018, which was largely driven by our increase in revenue in FY2018 by RMB191.8 million or 38.9%, from RMB492.5 million for FY2017 to RMB684.3 million for FY2018, fuelled by the combined effect of (i) our Group undertaking projects of larger contract sum in FY2018 compared with FY2017; and (ii) the launch of our new digital and brand communication service “comprehensive digital campaign offering” which led to our 100% growth in revenue in this sector.

Our net profit for the year decreased by RMB13.0 million from RMB38.5 million for FY2016 to RMB25.5 million for FY2017. It was largely due to the combined effect of (i) RMB4.1 million fair value losses in investment in our entertainment projects in FY2017; and (ii) the expenses of RMB7.6 million of equity-settled share-based payment in FY2017.

Adjusted profit (Non-HKFRS measures)

Our Group also presented the adjusted profit as non-HKFRS measures used by our management to evaluate our financial performance by eliminating the impact of the listing expenses, which are non-recurring in nature and are not indicative for evaluating the actual performance of our business.

Our Group recorded adjusted profit of RMB28.5 million for 6M2019, compared with RMB16.7 million for 6M2018, representing an increase of RMB11.8 million and a significant growth of 70.7%. It was largely due to the addition of RMB10.8 million gross profit from IP development segment in 6M2019.

Overall speaking, our Group had decreasing gross profit margin during 2016 to 2018 mainly due to factors including but not limited to (i) adjustment on our pricing strategy to restore greater market share (in particular in the digital and brand communication services); (ii) we had accepted lower gross profit margin projects for larger contract sum projects, in particular for automobile projects; (iii) fluctuation of gross profit margin in the IP development segment and our public relation service during the Track Record Period. However, our Group's gross profit margin has restored during the six months ended 30 June 2019, mainly due to factors including the significant contribution from the IP development segment mainly in relation to the online drama 《出線了, 初戀》 and the L'Étape race in Zhuji, Zhejiang as well as our increased provision of fashion and jewellery experiential and digital and brand communication services which carried a higher gross profit margin, during the six months ended 30 June 2019.

Net current assets

Our current assets primarily consist of trade receivables, prepayments, deposits and other receivables, and cash and cash equivalents. Our current liabilities mainly consist of trade payables, other payable and accruals, interest-bearing bank borrowings and tax payables. Our net current assets increased by RMB5.2 million from net current assets of RMB108.6 million as at 31 December 2016 to net current assets of RMB113.8 million as at 31 December 2017, and further increased by RMB6.8 million from RMB113.8 million to RMB120.6 million as at 31 December 2018. Our net current assets then decreased by RMB18.3 million from RMB120.6 million as at 31 December 2018 to RMB102.3 million as at 30 June 2019.

SUMMARY

CONTROLLING SHAREHOLDERS

Immediately upon completion of the Capitalisation Issue and Global Offering (assuming the Over-allotment Option is not exercised and taking no account of any Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued pursuant to the exercise of options to be granted under the Share Option Scheme), through Aurora Activation and Dashing Fortune, Mr. Lau will hold 19.30% of our Company whilst Mr. Ng will hold 14.71% of our Company through NBS Holdings and Activation Investment. As each of Mr. Lau, Mr. Ng and the aforementioned companies controlled by them are acting in concert, for the purpose of the Listing Rules, they are regarded as a group of Controlling Shareholders.

Please refer to the section headed “Relationship with our Controlling Shareholders” in this prospectus for further details.

LEGAL DISPUTES WITH MR. SO

In September 2018, Mr. So, a former director of Activation Group, brought an action at People’s Court of Changning District in Shanghai (上海市長寧區人民法院) against Activation Group and Activation International for a confirmation by the court that he is entitled to 10.83% of shareholding in Activation Group. In addition, to the best of our Directors’ knowledge and information, some of the shareholders of Fine Access received a letter from Mr. So in late November 2019, threatening claims against these shareholders for loss and damage suffered by Mr. So as a result of their approval of the Repurchase by way of the shareholders’ resolutions of Fine Access at an undervalue. For the background and events leading up to the actions and the latest status of the legal disputes with Mr. So, please refer to the section headed “History, Reorganisation and Corporate Structure – The Reorganisation – Corporate restructuring – (1) Repurchase and allotment of shares in Brightly Sky”. For the risk factor relating to the actual and potential claims by Mr. So, please refer to the section headed “Risk Factors – We are exposed to actual and potential claims and legal actions by Mr. So in relation to his interest in Activation Group and/or our Group”.

As our Directors cannot foresee whether Mr. So will have any further legal action against our Group or will otherwise involve our Group in any other claims or legal actions, our Controlling Shareholders have entered into a Deed of Indemnity in favour of our Group whereby they have agreed to indemnify our Group in respect of any losses, claims, liabilities, damages, costs and expenses which may be suffered or incurred by us as a result of any legal dispute between our Group and Mr. So in connection with his resignation, his shareholding in Activation Group and/or the Reorganisation. Please refer to the section headed “Appendix IV – Statutory and General Information – Other Information – 17. Estate duty, tax and other indemnity” for further details of the Deed of Indemnity.

OUR MILESTONES, LISTING AND WITHDRAWAL OF LISTING FROM THE NEEQ

November 2013	The predecessor of Activation Group, Activation Business Consultancy was established
July 2015	We completed the acquisition of Activation PR
August 2015	We completed the acquisition of Activation Digital

SUMMARY

May & August 2016	We obtained exclusive rights to use Le Tour de France and LaLiga Club brands in the PRC for organising authorized events and other rights for marketing, sponsorship, merchandising and other uses in the PRC
June 2016	Activation Group was listed on the NEEQ with stock code of 837732
March 2017	Activation Events HK and Stufish Productions established Stufish Asia to engage in the provision of live entertainment service
January 2018	Listing of Activation Group on the NEEQ was voluntarily withdrawn for our overall strategic development and better management of our Group

OFFERING STATISTICS

Number of the Offer Shares	:	200,000,000 Shares
Offer Price	:	Not more than HK\$2.34 per Offer Share and is expected to be not less than HK\$1.71 per Offer Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy)

	Based on an Offer Price of HK\$1.71 HK\$	Based on an Offer Price of HK\$2.34 HK\$
Market capitalisation	1,368 million	1,872 million
Unaudited pro forma adjusted combined net tangible assets per Share ^(Note)	0.51	0.66

Note: Please refer to Appendix II to this prospectus for the bases and assumptions in calculating this figure.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately RMB44.8 million. Out of the amount of approximately RMB44.8 million, approximately RMB18.8 million is expected to be deducted from equity upon Listing. The remaining amount of approximately RMB26.0 million shall be charged to profit or loss. Of the approximately RMB26.0 million that shall be charged to profit or loss, approximately RMB5.5 million has been charged during the Track Record Period, and approximately RMB20.5 million is expected to be incurred for the remaining six months ending 31 December 2019. Expenses in relation to the Listing are non-recurring in nature.

FUTURE PLANS AND USE OF PROCEEDS AND REASONS FOR LISTING

The net proceeds to be received from the Global Offering based on the Offer Price of HK\$2.025 per Offer Share, being the mid-point of the indicative Offer Price range, after deducting related expenses in connection with the Global Offering and assuming Over-allotment Option is not exercised, are estimated to be approximately RMB319.2 million (equivalent to approximately HK\$355.1 million). Our Directors presently intend that the net proceeds will be applied as follows:

1. Approximately 55.9%, or RMB178.4 million (equivalent to approximately HK\$198.5 million) is expected to be used to develop and expand our existing business of integrated marketing solutions and IP development;

SUMMARY

2. Approximately 34.2%, or RMB109.3 million (equivalent to approximately HK\$121.6 million) is expected to be used as cash reserve for strategic investment funds for seeking suitable cooperation or investment opportunities which have strategic benefits to our Group; and
3. Approximately 9.9%, or RMB31.5 million (equivalent to approximately HK\$35.0 million) will be used for general replenishment of working capital and other general corporate purpose.

We consider that the Listing will benefit our Group in different aspects, such as (i) to change the fundraising platform from NEEQ to the Stock Exchange, which will facilitate our use of share-based options to recognise, reward and incentivise employees and business partners; (ii) to enhance our corporate profile for client retention and for strategic cooperation with business partners; (iii) to strengthen our financial position and fund our business strategies; (iv) to maintain cash liquidity for operations; and (v) to empower us to pursue business opportunities and growth in view of industry outlook.

Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for further details of our intended use of proceeds, future plans and our reasons for Listing.

DIVIDEND

No dividend has been paid or declared by our Company since its incorporation. The dividends declared by a subsidiary of our Company to its then shareholders during the Track Record Period were RMB18.6 million, RMB10.1 million, RMB33.5 million and RMB33.5 million, respectively.

In deciding whether to propose a dividend and in determining the dividend amount, our Directors will take into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders’ interests and other factors which they may deem relevant at such time. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. As a Cayman Islands company, any dividend recommendation will be at the absolute discretion of our Directors. We currently do not have a fixed dividend payout ratio.

RECENT DEVELOPMENT

Since 30 June 2019 up to the Latest Practicable Date, our business model has remained unchanged and our revenue and cost structure has remained largely in line with our Track Record Period.

Our Group recorded a growth of adjusted profit (non-HKFRS measures) of approximately 70% in 6M2019. Riding on this strong growth, we are confident on our FY2019 performance compared with FY2018. In particular, we have completed a substantial experiential marketing project in September 2019 with a member of Alibaba Group for Alibaba Group’s 20th anniversary annual dinner, which is a breakthrough of our Group in terms of the type of clientele but with lower profit margin as compared with other non-automobile projects in general. We had completed a Critérium race in Shanghai in November 2019 which is also expected to be at a lower profit margin and a L’Étape race in Chengjiang Yunnan in December 2019. Despite the abovementioned, our Group’s gross profit margin for the year ending 31 December 2019 is expected to be stable.

Since July 2019, due to the social unrest and protests in Hong Kong, some of our clients in luxury and premium brands had indicated to our Hong Kong office to put on hold their upcoming experiential marketing projects originally scheduled to take place in the second half of FY2019, which we believe that they would like to observe the situation in Hong Kong. Our Hong Kong office contributed approximately 13% and 10% of our total revenue FY2017 and FY2018, respectively. Our Directors are of the view that the temporary slowdown in business of our Hong Kong office does not amount to a material adverse change to our financial or operating prospects as a whole. It is our strategy to continue focusing and expanding our PRC

SUMMARY

business in the short coming future. We remain confident that our Group will be able to implement our business strategies and maximise the return for our Shareholders upon Listing and will continue to observe and monitor our business in Hong Kong.

During the four months ended 31 October 2019, our Group recorded other income and gains of approximately RMB9.8 million, which was mainly derived from (i) a judgment we obtained on 8 August 2019 in favour of our contractual claim against a third party in the amount of approximately RMB8.0 million (inclusive of tax) as compensation in relation to a L'Étape race which was originally scheduled to be held in 2018 but subsequently did not proceed due to the non-performance of such third party; and (ii) the government grants of approximately RMB0.7 million we received during the same period.

In August 2019, we received the amount of approximately RMB8 million as compensation (inclusive of tax) pursuant to a court judgment. It was in relation to a cooperation agreement with an Independent Third Party, under which we shall cooperate in organising one L'Étape race per year in Hainan during the period from December 2017 to December 2021. In October 2018, our Group initiated a contractual claim as a result of the non-performance of the Independent Third Party under the Cooperation Agreement between the parties.

On 2 September 2019, our Group entered into a loan agreement with an Independent Third Party for a loan of HK\$60 million for the purpose of financing the settlement of part of the consideration payable by us pursuant to our acquisition of approximately 9.14% equity interest in Activation Group from Beijing Sequoia in July 2019. Please refer to the section headed "History, Reorganisation and Corporate Structure" for further details of the equity transfer arrangement with Beijing Sequoia. The loan bears interest at 15% per annum with a term of 6 months and has been initially secured by share mortgage by Activation Enterprise on the entire issued shares of Activation International, share mortgage by each of Activation Investment and Aurora Activation on its Shares held in our Company and personal guarantee by each of Mr. Ng and Mr. Lau. The personal guarantee provided by each of Mr. Ng and Mr. Lau shall be automatically discharged and released one day before the Shares are listed on the Stock Exchange. As at the Latest Practicable Date, the share mortgage provided by each of Activation Investment and Aurora Activation had been discharged. As a result of the loan agreement, our Group estimates that an one-off restructuring expense of approximately RMB2.9 million will be incurred for the four months ended 31 October 2019 and a further RMB1.3 million will be incurred for the two months ending 31 December 2019.

On 10 September 2019, our Group disposed of an associated company, Chengrun Huashang, to an Independent Third Party for a consideration of RMB1.2 million. It is expected that the financial impact on the disposal of the associated company will not be significant.

As of 30 June 2019, our Group had outstanding dividend payable of approximately RMB52.7 million. Up to the Latest Practicable Date, our Group had settled approximately RMB37.2 million of such outstanding dividend payables. Our Group plans to settle the balance of such outstanding dividend payable of approximately RMB9.9 million, which is payable by a subsidiary of our Company to some of our existing Shareholders, before the Listing, and approximately RMB5.6 million, which is payable by a subsidiary of our Company to its minority shareholder, in the first quarter of FY2020.

Our Directors confirmed that, save as disclosed in this section and for the Listing expenses, from 30 June 2019 up to the date of this prospectus, (i) there had been no material adverse changes in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there was no material adverse change in the trading and financial position or prospects of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are defined in the section headed “Glossary of Technical Terms” in this prospectus.

“2004 Measures”	Interim Measures for Administration of Approval on Outbound Investment Projects (境外投資項目核准暫行管理辦法) promulgated by NDRC which was effective during the period from 9 October 2004 to 8 May 2014
“2008 Shanghai Measures”	Interim Measures for Administration of Approval on Outbound Investment Projects in Shanghai (上海市境外投資項目核准暫行管理辦法), which was promulgated by Shanghai NDRC and was effective during the period from 1 September 2008 to 31 December 2014
“2014 Measures”	Administrative Measures for Approval and Record-filing on Outbound Investment Projects (境外投資項目核准和備案管理辦法) promulgated by NDRC which was effective during the period from 8 May 2014 to 1 March 2018
“2015 Shanghai Measures”	Administrative Measures for Record-filing on Outbound Investment Projects in Shanghai (上海市境外投資項目備案管理辦法) which was promulgated by Shanghai NDRC and came into effect on 1 January 2015
“6M2018”	the six months ended 30 June 2018
“6M2019”	the six months ended 30 June 2019
“Accountants’ Report”	the accountants’ report on our Group for the Track Record Period set out in Appendix I to this prospectus
“ACT Holdings”	ACT Holdings Ltd., a company incorporated in the BVI with limited liability on 29 November 2018 which is held by a professional trustee under a trust for the benefit of our executive Directors, senior management and other key personnel of our Group pursuant to awards to be granted by our Company at the discretion of the Board from time to time

DEFINITIONS

“ACT Partners”	ACT Partners Global Ltd., a company incorporated in the BVI with limited liability on 10 December 2018 which is beneficially owned by ACT Holdings and nine staff members including our executive Directors, senior management and other key personnel of our Group
“Activation Advertising”	Shanghai Aideweixuan Advertising Co., Ltd.* (上海艾德韋宣廣告有限公司), a limited liability company established under the laws of the PRC on 20 April 2015 and an indirect non-wholly owned subsidiary of our Company
“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 our Company
“Activation Enterprise”	Activation Enterprise Limited (艾德韋宣企業有限公司), a company incorporated in the BVI with limited liability on 6 March 2019 and a wholly owned subsidiary of our Company
“Activation Entertainment”	Shanghai Aideweixuan Culture Communication Co., Ltd.* (上海艾德韋宣文化傳播有限公司), a limited liability company established under the laws of the PRC on 23 June 2016 and an indirect non-wholly owned subsidiary of our Company
“Activation Events”	a business unit of our Group which is responsible for organising, promoting and running experiential marketing events
“Activation Events BJ”	Beijing Anweixun Business Consulting Co., Ltd.* (北京安維訊商務諮詢有限公司), a limited liability company established under the laws of the PRC on 13 March 2012 and an indirect non-wholly owned subsidiary of our Company

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“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 our 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 our Company
“Activation Events Shanghai”	Shanghai Aideweixuan Planning Co., Ltd.* (上海艾德韋宣策劃有限公司), a limited liability company established under the laws of the PRC on 10 June 2019 and an indirect non-wholly owned subsidiary of our 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 our Company
“Activation Insight”	Shanghai Aideweixuan Digital Technology Co., Ltd.* (上海艾德韋宣數碼科技有限公司), a limited liability company established under the laws of the PRC on 8 July 2016 and an indirect non-wholly owned subsidiary of our Company
“Activation International”	Activation International Limited (韋宣國際有限公司), a limited company incorporated in Hong Kong under the Companies Ordinance on 31 August 2012, an indirect wholly owned subsidiary of our Company and was owned as to approximately 34.97% by Aurora Activation, 26.65% by Activation Investment and 38.38% by Brightly Sky immediately prior to the Reorganisation
“Activation Investment”	Activation Investment Limited (艾特投資有限公司), a limited liability company incorporated in Hong Kong under the Companies Ordinance on 5 September 2013 which is ultimately wholly owned by Mr. Ng and will be holding approximately 14.71% of the issued share capital of our Company upon completion of the Global Offering and Capitalisation Issue

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“Activation Marketing”	Activation Marketing Solution Limited, a limited company incorporated in Hong Kong under the Companies Ordinance on 28 October 2015 and an indirect non-wholly owned subsidiary of our Company
“Activation One”	Activation One Limited (艾特聯合有限公司), a limited company incorporated in Hong Kong under the Companies Ordinance on 4 September 2013, which is ultimately controlled by Ms. Low through Step Mind Enterprises Limited and will be holding approximately 5.37% of the issued share capital of our Company upon completion of the Global Offering and Capitalisation Issue
“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 our Company
“Activation Project 23”	Shanghai Boming Enterprise Image Planning Co., Ltd* (上海帛銘企業形象策劃有限公司), a limited liability company established under the laws of the PRC on 23 September 2014 and an indirect non-wholly owned subsidiary of our Company
“Activation Sports Development”	Shanghai Aideweixuan Sports Development Co., Ltd.*(上海艾德韋宣體育發展有限公司) (previously known as Shanghai Pinxuan Enterprise Management Co., Ltd.* (上海品宣企業管理有限公司)), a limited liability company established under the laws of the PRC on 7 July 2015 and an indirect non-wholly owned subsidiary of our Company
“Activation Sports Management”	Shanghai Aideweixuan Sports Management Co., Ltd* (上海艾德韋宣體育管理有限公司) (previously known as Shanghai Shangyi Weixuan Construction Decoration Co., Limited* (上海尚繹韋宣建築裝飾有限公司)), a limited liability company established under the laws of the PRC on 29 January 2015 and an indirect non-wholly owned subsidiary of our Company

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“Activation VIA”	Activation VIA Limited (艾德韋宣廣告有限公司) (previously known as Activation Entertainment Limited (艾德韋宣娛樂有限公司)), a limited company incorporated in Hong Kong under the Companies Ordinance on 24 November 2015 and an indirect non-wholly owned subsidiary of our Company
“Aibosi Weixuan”	Shanghai Aibosi Weixuan Property Management Co., Ltd.* (上海艾博思韋宣物業管理有限公司) (previously known as Shanghai Aibosi Weixuan Business Consultancy Co., Ltd.* (上海艾博思韋宣商務諮詢有限公司)), a limited liability company established under the laws of the PRC on 18 April 2008 and ultimately wholly owned by Mr. Ng
“Aide Zhongxin”	Aide Zhongxin (Shanghai) Investment Management Enterprise (Limited Partnership)* (艾德眾信(上海)投資管理企業(有限合夥)), a limited partnership established under the laws of the PRC on 14 March 2014 and owned as to approximately 21.95% by Ms. Zhou, approximately 18.00% by Mr. Bao, approximately 10.99% by Mr. Du, approximately 24.83% by 13 employees of our Group and approximately 24.23% by two Independent Third Parties, who were PRC nationals introduced to our Group by Mr. Ng and assisted in the establishment of Aide Zhongxin in the PRC as a limited partnership as the initial shareholders thereof pending inclusion of other employees of our Group into this employee shareholding platform. Aide Zhongxin will be holding approximately 7.63% of the issued share capital of our Company upon completion of the Global Offering and Capitalisation Issue
“Aide Zhongxin Beijing”	Beijing Aide Zhongxin Exhibition Co., Ltd* (北京艾德眾信展覽有限公司), a limited liability company established under the laws of the PRC on 18 March 2014 and deregistered on 26 September 2018, which was owned as to 30% equity interest by us prior to our disposal of equity interest in June 2017, an Independent Third Party

DEFINITIONS

“Aijin Investment”	Shanghai Aijin Investment Consulting Co., Ltd (上海艾晉投資諮詢有限公司) (previously known as Shanghai Aidiweichun Business Consulting Co., Ltd* (上海艾帝維純商務諮詢有限公司)), a limited liability company established under the laws of the PRC on 16 September 2013 owned by Chou Lina (仇麗娜) and Li Husheng (李滬生), each an Independent Third Party, and a prior shareholder of Activation Digital and Activation Business Consultancy
“Aiwei Culture”	Shanghai Aiwei Culture Communication Co., Ltd.* (上海艾未文化傳播有限公司), a limited liability company established under the laws of the PRC on 2 November 2016 and an indirect non-wholly owned subsidiary of our Company
“Aixi Investment”	Shanghai Aixi Investment Consulting Co., Ltd. 上海艾昔投資諮詢有限公司 (previously known as Shanghai Aitehuachun Business Consulting Co., Ltd* (上海艾特華純商務諮詢有限公司)), a limited liability company established under the laws of the PRC on 16 September 2013 owned by Han Jiani (韓佳妮), the spouse of Mr. Tu and a prior shareholder of Activation Digital and Activation Business Consultancy
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on 19 December 2019 (as amended, supplemented or otherwise modified from time to time)
“ASO”	Amaury Sport Organisation, the organiser of Le Tour de France
“ASO Cooperation Agreements”	the agreements (including any amendment agreements thereto) we entered into with ASO, granting us exclusive rights to organise authorised events in PRC with their brand and other rights for marketing, merchandising and other uses, subject to terms of the agreements
“associate(s)”	has the meaning ascribed to it under the Listing Rules

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“Aurora Activation”	Aurora Activation Holdings Limited (極光動力控股有限公司), a limited company incorporated in Hong Kong under the Companies Ordinance on 23 September 2013 which is ultimately wholly owned by Mr. Lau and will be holding approximately 19.30% of the issued share capital of our Company upon completion of the Global Offering and Capitalisation Issue
“Beijing Sequoia”	Beijing Sequoia Xinyuan Equity Investment Centre (Limited Partnership)* (北京紅杉信遠股權投資中心(有限合伙)), a limited partnership established under the laws of the PRC on 14 June 2012, owned by 28 Independent Third Parties and was a minority shareholder of Activation Group prior to the Reorganisation
“Board” or “Board of Directors”	the board of Directors of our Company
“Brightly Sky”	Brightly Sky Company Limited (卓明遠達有限公司), a limited company incorporated in Hong Kong under the Companies Ordinance on 17 September 2013 which is wholly owned by ACT Partners and will be holding approximately 21.18% of the issued share capital of our Company upon completion of the Global Offering and Capitalisation Issue
“Business Day”	a day (other than a Saturday, Sunday or public holiday) in Hong Kong on which banks in Hong Kong are open generally for normal banking business
“BVI”	British Virgin Islands
“BVI Legal Adviser”	Conyers Dill & Pearman, legal adviser to our Company as to BVI laws
“CAGR”	compound annual growth rate, a measurement to assess the growth rate of value over time
“Capitalisation Issue”	the issue of 500,000,000 new Shares to be made upon capitalisation of an amount of HK\$500,000 standing to the credit of the share premium account of our Company as referred to in the section headed “Appendix IV – Statutory and General Information – Further Information about our Group – 3. Resolutions in writing of our Shareholders passed on 19 December 2019”

DEFINITIONS

“Cayman Islands Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant(s)”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant(s)”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“Chengrun Huashang”	Chengrun Huashang (Beijing) Culture Media Co., Ltd.* (誠潤華尚(北京)文化傳媒有限公司), a limited liability company established under the laws of the PRC on 4 September 2014 and is wholly owned by two Independent Third Parties and was owned as to 30% by Activation Entertainment and 70% by an Independent Third Party prior to the disposal by Activation Entertainment on 21 October 2019
“CIC”	China Insights Industry Consultancy Limited, an independent market research and consulting company which prepared the CIC Report
“CIC Report”	an independent market report commissioned by us and prepared by CIC in relation to, among other things, the integrated marketing solution services market in Greater China
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Activation Group Holdings Limited (艾德韋宣集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 27 February 2019 under the Companies Law
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and in the context of this prospectus, means the controlling shareholders of our Company immediately after completion of the Global Offering and the Capitalisation Issue, being Mr. Ng, NBS Holdings, Activation Investment, Mr. Lau, Dashing Fortune and Aurora Activation (each a “ Controlling Shareholder ”). Please refer to the section headed “Relationship with our Controlling Shareholders” for further details
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Critérium”	Le Tour de France Critérium, a short-distance, city center circuit professional cycling race organised by ASO
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“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
“Deed of Indemnity”	the deed of indemnity dated 19 December 2019 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries), details of which are set out in the section headed “Appendix IV – Statutory and General Information – Other Information – 17. Estate duty, tax and other indemnity”

DEFINITIONS

“Deed of Non-competition”	the non-compete undertaking dated 19 December 2019 and executed by our Controlling Shareholders in favour of our Company, details of which are set out in the section headed “Relationship with our Controlling Shareholders – Deed of Non-competition”
“Director(s)”	the director(s) of our Company
“Dongzheng Dingrui”	Jilin Dongzheng Dingrui Investment Partnership (Limited Partnership)* (吉林東證鼎銳投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on 3 June 2016, an Independent Third Party and will be holding approximately 1.34% of the issued share capital of our Company upon completion of the Global Offering and Capitalisation Issue
“Dr. Cheung”	Dr. Cheung Wah Keung (張華強), an independent non-executive Director
“EIT”	the PRC enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), issued on 16 March 2007 and effective on 1 January 2008 and most recently amended on 29 December 2018
“EUR”	Euro, the lawful currency of the European Union
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
“FEHD”	Food and Environmental Hygiene Department
“Fine Access”	Fine Access Trading Limited (進利貿易有限公司), a company incorporated in the BVI with limited liability on 4 July 2013 and owned as to 45.74% by Mr. So and 54.26% by some of our executive Directors, senior management and other key personnel of our Group
“FY2016”	the financial year ended 31 December 2016
“FY2017”	the financial year ended 31 December 2017
“FY2018”	the financial year ended 31 December 2018

DEFINITIONS

“FY2019”	the financial year ending 31 December 2019
“GDP”	gross domestic product, the market value of all the finished goods and services produced during a specified period of time
“Global Offering”	the Hong Kong Public Offering and the International Placing
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group” or “our Group” or “we” or “our” or “us”	our Company and its subsidiaries, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)
“HKFRS”	Hong Kong Financial Reporting Standards(s) and interpretation(s), issued by the HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Computershare Hong Kong Investor Services Limited, being the Hong Kong branch share registrar of our Company
“Hong Kong dollars” or “HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong Offer Shares”	the 20,000,000 new Shares initially offered for subscription pursuant to the Hong Kong Public Offering, representing 10% of the total number of Offer Shares, subject to reallocation and adjustment as described in the section headed “Structure and Conditions of the Global Offering”
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by members of the public in Hong Kong (subject to reallocation and adjustment) for cash at the Offer Price, payable in full on application, and subject to the terms and conditions stated in this prospectus and in the Application Forms
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting – Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the conditional Hong Kong underwriting agreement dated 30 December 2019 entered into between our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters relating to the Hong Kong Public Offering, as described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement”
“Independent Third Party(ies)”	person(s) or company(ies) which is(are) not connected person(s) or core connected person(s) (both as defined in the Listing Rules) of our Company
“International Placing”	the conditional placing of the International Placing Shares at the Offer Price to professional, institutional and private investors, as described in the section headed “Structure and Conditions of the Global Offering”
“International Placing Agreement”	the conditional international placing underwriting agreement relating to the International Placing and expected to be entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Global Coordinators and the International Underwriters

DEFINITIONS

“International Placing Shares”	the 180,000,000 new Shares, expected to be initially offered for subscription pursuant to the International Placing, representing 90% of the total number of the Offer Shares, subject to reallocation, adjustment and the Over-allotment Option as described in the section headed “Structure and Conditions of the Global Offering”
“International Underwriters”	the underwriters of the International Placing who are expected to enter into the International Placing Agreement
“IP Cooperation Agreements”	collectively, the LaLiga Cooperation Agreements and the ASO Cooperation Agreements
“Joint Bookrunners”	Dongxing Securities (Hong Kong) Company Limited, CMB International Capital Limited, Haitong International Securities Company Limited, China Galaxy International Securities (Hong Kong) Co., Limited, ABCI Capital Limited, China Everbright Securities (HK) Limited and China Investment Securities International Brokerage Limited, being the joint bookrunners for the Global Offering
“Joint Lead Managers”	Dongxing Securities (Hong Kong) Company Limited, CMB International Capital Limited, Haitong International Securities Company Limited, China Galaxy International Securities (Hong Kong) Co., Limited, ABCI Securities Company Limited, China Everbright Securities (HK) Limited, China Investment Securities International Brokerage Limited, North Beta International Securities Limited, First Shanghai Securities Limited and Forwin Securities Group Limited, being the joint lead managers for the Global Offering
“Joint Global Coordinators”	Dongxing Securities (Hong Kong) Company Limited, CMB International Capital Limited and Haitong International Securities Company Limited, being the joint global coordinators for the Global Offering

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“LaLiga”	LaLiga De Fútbol Profesional, and for the purposes of this prospectus includes its wholly owned subsidiary, Beijing Spanish Football League Consulting Co., Ltd, is the entity responsible for the organisation and staging of the Primera División and the Segunda División being the top and second tier professional association football divisions in Spain respectively
“LaLiga Club”	the designation under which LaLiga and our Group collaborate to create a premium football experiential platform in the PRC
“LaLiga Cooperation Agreements”	the agreements (including any amendment agreements thereto) we entered into with LaLiga, granting us exclusive rights to organise authorised events in PRC with their brand and other rights for marketing, merchandising and other uses, subject to terms of the agreements
“LaLiga Intellectual Property”	any patents, trademarks, service marks, registered designs, utility models, design rights, database rights, trade secrets and other confidential information, goodwill, know-how and business or trade names and all other intellectual and industrial property and rights of a similar or corresponding nature, whether registered or not or capable of registration or not, and including the right to apply for and all applications for any of the foregoing rights and the right to sue for infringements of any of the foregoing rights
“Latest Practicable Date”	21 December 2019, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Le Tour de France”	a cycling event organised by ASO, which includes, amongst others, Critérium and L’Étape
“L’Étape”	L’Étape by Le Tour de France, a short distance amateur cycling race organised by ASO where amateurs could test their performance in the same conditions as professionals
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange

DEFINITIONS

“Listing Date”	the date, expected to be on or about Thursday, 16 January 2020, on which our Shares are listed and from which dealings therein are 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
“Macau”	the Macau Special Administrative Region of the PRC
“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 our Company, conditionally adopted on 19 December 2019, which will become effective upon Listing (as amended, supplemented or otherwise modified from time to time)
“MOFCOM”	the Ministry of Commerce of the PRC
“Mr. Bao”	Mr. Bao Yifeng (包一峰), a member of senior management of our Group and the general manager of Activation PR
“Mr. Chan”	Mr. Chan Wai Bun (陳偉彬), an executive Director and the general manager of Activation Events
“Mr. Choi”	Mr. Choi Wai Tong Winton (蔡偉棠), a member of senior management of our Group and the general manager of Activation Digital
“Mr. Du”	Mr. Du Xiaozhou (杜曉舟), a member of senior management of our Group, the secretary of the board of directors of Activation Group and the joint company secretary of our Company
“Mr. Lau”	Mr. Lau Kam Yiu (劉錦耀), an executive Director, the joint-chairman of our Board, the chief executive officer and a Controlling Shareholder
“Mr. Ng”	Mr. Ng Bo Sing (伍寶星), an executive Director, the joint-chairman of our Board, the chief operating officer of our Group and a Controlling Shareholder

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“Mr. Shaw”	Mr. Jeremy Mark Shaw, a member of senior management of our Group and the general manager of Activation Events HK and Activation Events SGP and the spouse of Ms. Cheng
“Mr. So”	Mr. So Tung (蘇彤), a former director of Activation Group
“Mr. Tu”	Mr. Tu Hung-Wei (涂弘煒), a member of senior management of our Group and the general manager of Activation Digital
“Mr. Yu”	Mr. Yu Longjun (余龍軍), an independent non-executive Director
“Ms. Cheng”	Ms. Cheng Yuen Yee June (鄭婉宜), a member of senior management of our Group and the general manager of Activation Events HK and Activation Events SGP and the spouse of Mr. Shaw
“Ms. Cheung”	Ms. Cheung Siu Wan (張少雲), an independent non-executive Director
“Ms. Low”	Ms. Low Wei Mun (劉慧文), an executive Director and the general manager of Activation Events
“Ms. Rong”	Ms. Rong Yanlin (戎艷琳), a minority shareholder of Activation Group prior to the Reorganisation
“Ms. So”	Ms. So Shuk Yi Betty (蘇淑儀), the joint company secretary of our Company
“Ms. Wong”	Ms. Wong Nim Man (黃念雯), a member of senior management of our Group and the general manager of Activation Digital and Activation PR
“Ms. Zhou”	Ms. Zhou Qi (周琦), a member of senior management of our Group and the general manager of Activation Sports Development and Activation Sports Management
“NBS Holdings”	NBS Holdings Limited, a company incorporated in the BVI with limited liability on 25 January 2007 and wholly owned by Mr. Ng
“NDRC”	National Development and Reform Commission

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“NEEQ”	the National Equities Exchange and Quotations (全國中小企業股份轉讓系統) a Chinese over-the-counter system for trading of shares of public limited companies
“New Margin”	Shanghai New Margin Yongqin Venture Capital Enterprise (Limited Partnership)* (上海聯創永欽創業投資企業(有限合夥)), a limited partnership established under the laws of the PRC on 31 August 2011, an Independent Third Party, and will be holding approximately 3.24% of the issued share capital of our Company upon completion of the Global Offering and Capitalisation Issue
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%) to be determined in the manner described in the section headed “Structure and Conditions of the Global Offering”
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares to be issued pursuant to the exercise of the Over-allotment Option
“Onshore Corporate Shareholders”	collectively, New Margin, Dongzheng Dingrui, Shanghai Xingui and Aide Zhongxin
“Over-allotment Option”	the option to be granted by our Company to the International Underwriters exercisable by the Stabilising Manager, for itself and on behalf of the Underwriters, under which we may be required to issue up to 30,000,000 additional new Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover any over allocation in the International Placing, details of which are described in the section headed “Structure and Conditions of the Global Offering – International Placing – Over-allotment Option”
“PRC” or “China”	the People’s Republic of China which, for the purposes of this prospectus excludes Hong Kong, Macau and Taiwan
“PRC Legal Advisers”	Jingtian & Gongcheng, legal adviser to our Company as to PRC laws

DEFINITIONS

“Price Determination Date”	the date, expected to be on or about Thursday, 9 January 2020 on which the Offer Price will be fixed and in any event, no later than Monday, 13 January 2020
“Regulation S”	Regulation S under the US Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, as set out in the section headed “History, Reorganisation and Corporate Structure – The Reorganisation”
“Repurchase”	please refer to the definition of “Repurchase” as set out in the section headed “History, Reorganisation and Corporate Structure – Corporate restructuring – (1) Repurchase and allotment of shares in Brightly Sky”
“Repurchase Agreement”	the repurchase agreement dated 11 December 2018 entered between Fine Access and Brightly Sky, particulars of which are set out in the section headed “History, Reorganisation and Corporate Structure – Corporate restructuring – (1) Repurchase and allotment of shares in Brightly Sky”
“RMB”	Renminbi, the lawful currency of the PRC
“S\$” or “SGD”	Singapore dollars, the lawful currency of Singapore
“SAFE”	The State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	The State Administration for Market Regulation (國家市場監督管理總局), formerly known as The State Administration for Industry and Commerce (國家工商行政管理總局)
“SAT”	The State Administration of Taxation (國家稅務總局)
“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
“Shanghai NDRC”	Shanghai Municipal Development and Reform Commission (上海市發展和改革委員會)

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“Shanghai Rongyi”	Shanghai Rongyi Investment Management Co., Ltd* (上海戎億投資管理有限公司), a limited liability company established under the laws of the PRC on 4 January 2009 and wholly owned by Mr. Rong Guoting (戎國亭), the father of Ms. Rong and will be holding approximately 0.45% of the issued share capital of our Company upon completion of the Global Offering and Capitalisation Issue
“Shanghai Xingui”	Shanghai Xin-gui Investment Consulting Co., Ltd* (上海欣桂投資諮詢有限公司), a limited liability company established under the laws of the PRC on 14 December 2011, wholly owned by an Independent Third Party and will be holding approximately 1.79% of the issued share capital of our Company upon completion of the Global Offering and Capitalisation Issue
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally approved and adopted by us on 19 December 2019, a summary of its principal terms is set out in the section headed “Appendix IV – Statutory and General Information – Other Information – 16. Share Option Scheme”
“Shareholder(s)”	holder(s) of the Shares
“Sole Sponsor”	Dongxing Securities (Hong Kong) Company Limited, a licensed corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
“sq.m.”	square metre
“Stabilising Manager”	Haitong International Securities Company Limited
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between the Stabilising Manager and Aurora Activation, pursuant to which the Stabilising Manager may borrow up to an aggregate of 30,000,000 Shares to cover any over allocation in the International Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Stufish Asia”	Stufish Asia Limited (斯達菲(亞洲)有限公司), a limited company incorporated in Hong Kong under the Companies Ordinance on 21 February 2017 and was held as to approximately 41.65% by Activation Events HK, 3.675% by Ms. Cheng, 3.675% by Mr. Shaw and 51% by Stufish Productions Limited, an Independent Third Party
“Stufish Productions”	Stufish Productions Limited, a company incorporated and registered in England and Wales and an Independent Third Party
“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
“Takeovers Code”	The Codes on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the financial period comprising the FY2016, FY2017, FY2018 and 6M2019
“Underwriters”	collectively, the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	collectively, the Hong Kong Underwriting Agreement and the International Placing Agreement
“US” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated under it
“US\$”, “US dollars” or “USD”	United States dollars, the lawful currency of US
“Yuyao Investment”	Changzhou Yuyao Investment Center (Limited Partnership)* (常州裕耀投資中心(有限合夥)), a limited partnership established under the laws of the PRC on 20 May 2016 and wholly owned by two Independent Third Parties, a minority shareholder of Activation Group holding 7% of equity interest in Activation Group

DEFINITIONS

“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s own name
“ White Form eIPO ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the designated website of the White Form eIPO at <u>www.eipo.com.hk</u>
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
“%” or “per cent.”	percentage or per centum

Terms marked with “” are English translations of the original names in Chinese of the PRC nationals, entities, enterprises, organisations, institutions, government authorities, departments, facilities, awards, certificates, titles, laws and regulations concerned and are included in this prospectus for identification purpose only. In the event of any inconsistency, the Chinese name(s) shall prevail.*

All times and dates refer to Hong Kong times and dates. Unless otherwise specified, references to years in this prospectus are to calendar years.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus that relate to our business and the industry in which we operate. These terms and their meanings may not correspond to standard industry definitions or usage of these terms.

“App(s)”	applications for computers and mobile devices
“Bay Area”	the Guangdong-Hong Kong-Macao Greater Bay Area
“Big Data”	extremely large data sets that may be analyzed computationally to reveal patterns, trends, and associations, especially relating to human behavior and interactions
“CRM”	customer relationship management, the principles, practices, strategies and technologies which are used by companies to manage and analyse customer interactions and data, with the goal of improving customer service relationships, assisting in customer retention, driving sales growth and enhancing the customer’s overall experience
“Greater China”	geographic area that shares commercial and cultural ties, including Hong Kong, Macau and China
“Internet of Things”	the network of physical devices, vehicles, home appliances, and other items embedded with electronics, software, sensors, actuators, and connectivity which enables these things to connect
“IP”	intellectual property
“IP development”	also known as IP activation, the business which involves introducing, developing and growing an IP for clients
“KOL”	key opinion leader, experts and advisors that have earned a reputation in their field
“MCN”	multi-channel networks, third-party service providers that affiliate with multiple video channels to offer services that may include audience development, content programming, creator collaborations, digital rights management, monetisation, and/or sales in exchange for a percentage of the advertising revenue from the channel
“MOU”	memorandum of understanding

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS ARE SUBJECT TO RISKS AND UNCERTAINTIES

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Future Plans and Use of Proceeds”. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed “Risk Factors”, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies, plans, objectives and goals;
- the performance of global and PRC financial markets, including changes in our ability to access the capital markets and changes in the level of interest rates;
- the business opportunities that we may pursue;
- our dividend policy; and
- the amount and nature of, and potential for, future development of our business.

The words “aim”, “anticipate”, “believe”, “can”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future occurrence of such events. Actual outcomes may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- our ability to achieve growth of existing businesses and expansion of operations through investments;
- our ability to integrate new businesses and create synergies;
- developments in, or changes to, laws, regulations, governmental policies, taxation or accounting standards or practices of the relevant jurisdictions in which we operate in, especially those related to the PRC;
- our ability to attract and retain customers;
- our ability to attract and retain qualified employees and key personnel;

FORWARD-LOOKING STATEMENTS

- global and the PRC general economic, market and business conditions; and
- the other risk factors discussed in this prospectus as well as other factors beyond our control.

One or more of the above-mentioned risks or uncertainties may materialise.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors”.

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks and uncertainties associated with an investment in our Company before making any investment decision relating to the Shares. Our Group's business, financial condition and results of operations could be materially and adversely affected by, and the trading prices of the Shares could decline due to, any of these risks or any uncertainty that our Group is unaware of, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS OPERATIONS AND OUR INDUSTRY

If we fail to achieve the marketing objectives of the international premium and luxury brand owners, we could lose clients

We mainly offer services to our clients in the area of integrated marketing solutions in Greater China depending on the individual needs and marketing objectives of the international premium and luxury brand owners. In general, the scope of work required in order to achieve the marketing objectives of our clients will be set out in the contract with the client or in a client brief before the commencement of a project and may be revised throughout the project, and our integrated marketing solutions services may be fine-tuned with reference to the feedback from the clients.

When we are put in charge of a project in order to assist our clients to achieve their marketing objectives, we are subject to risks of various unexpected hazards and adverse situations. Some of these risks include, but are not limited to, participant dropout, venue cancellation, technical issues and unexpected weather conditions.

Most of our clients assess our performance mainly based on our effectiveness in achieving their marketing objectives as set out in the scope of work and/or key performance indicators in the contract with the client. If our marketing solutions services are not able to achieve the clients' desired marketing objectives, or if we fail in the projects or events that we organise and/or manage, or if there are any quality issues or accidents which occur during the provision of our services, our clients' reputation will be adversely affected, which in turn could have a material adverse effect on our relationships with our clients, reputation and revenue, and we may lose clients and the opportunity to be engaged in future projects.

We rely on key personnel and may not be able to retain their services

Our success is, to a large extent, attributable to the vision and leadership of our executive Directors and the continued commitment of the members of our senior management. Certain of our executive Directors have over 20 years of experience in the marketing industry. Please refer to the section headed "Directors and Senior Management" for further information regarding our executive Directors and the members of our senior management. We believe that the extensive experience of our management team, their industry knowledge, in-depth

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understanding of the market and well-established relationships with our clients, suppliers and business associates, enable us to assess the market trends and requirements of our clients, as well as to evaluate and manage our clients efficiently. The future success of our Group will depend on the continued involvement, efforts, performance and abilities of our key personnel as a whole. There can be no assurance that our Group will be able to retain the services of our executive Directors or our other key personnel and to continually leverage their leadership skills. If we are unable to retain our key personnel or attract and engage suitable personnel on a timely and commercially viable basis, it may result in the loss of strategic leadership, disruption or delay to our business operations, which could have a material adverse effect on our Group's business, operations and financial conditions.

Our business depends on our ability to maintain our existing business with international premium and luxury brand owners and our ability to attract new clients and we generally do not enter into long term business contracts with our clients

We provide integrated marketing solutions services to international premium and luxury brand owners. Our Group's major clients include premium and luxury brands and automobile brands. Our ability to continue to grow our revenue and profit will depend in large part on expanding our business with our current clients and attracting new ones. We rely on our reputation in the industry to attract brand owners to engage us for integrated marketing solutions services. We cannot guarantee that our integrated marketing solutions services will remain attractive. We also cannot guarantee that we would secure new clients for our business. If we are unable to maintain our business with existing clients and attract new clients, then our sales will decrease and our operating results will be adversely affected.

Save for a number of retainer projects which accounted for approximately 2.1%, 1.9%, 4.1% and 5.8% of our total revenue for each of FY2016, FY2017, FY2018 and 6M2019, our contracts with our clients are generally on an individual project basis and we generally do not enter into any long term business contracts with our clients. This is in particular the case for our experiential marketing solutions projects. Accordingly, we may have limited visibility as to our future revenue streams and there is no assurance that we will be able to maintain or increase the volume of business with existing or potential clients. Should our clients decide to reallocate their budget and/or engage our competitors due to the market conditions or if we fail to attract or retain clients or any other factors, the demand for our integrated marketing solutions services may not grow or may even decline and our business, results of operations and financial condition may be materially and adversely affected.

Our relatively short operating history as an integrated marketing solutions provider may make it difficult to evaluate our prospects and future financial results

We have a relatively short operating history as an integrated marketing solutions provider. Activation Business Consultancy, the predecessor company of Activation Group, was established in November 2013. You should consider our business and prospects in light of the risks and difficulties we face with a relatively short operating history as an integrated marketing solutions provider and should not rely on our past results as an indication of our

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future performance. In addition, we may face challenges in planning our growth strategy and forecasting market demand accurately as a result of our limited historical data. Our relatively short operating history as an integrated marketing solutions provider may make it difficult to evaluate our prospects and future financial results. If we are unable to successfully address these risks, difficulties and challenges as a result of our relatively short operating history as an integrated marketing solutions provider, our ability to implement our strategic initiatives could be adversely affected, which may in turn have a material adverse effect on our business, financial condition and results of operations and prospects.

Our business is relevant to the business and the brand recognition of our clients in the premium and luxury brands and automobile brands

Some of our major clients are premium and luxury brands and automobile brands. Our business also depends on the brand recognition of our clients' brands, which is beyond our control. We cannot guarantee that negative reports about our clients' brands will not occur in the future which may cause serious damage to our clients' brands, public image, reputation and business. If our clients are unable to maintain or enhance their brand image, or if our clients' brand image is damaged by negative publicity or if our clients' brand is not accepted by audience, this could have a material adverse effect on our clients' business, financial condition and results of operations, which in turn could adversely affect our Group's business and operating results.

Our business and industry are subject to global economic and market conditions

Our industry and our business are substantially affected by the global economic and market conditions. The economy has a direct impact on the way businesses allocate their marketing resources. During tough economic times, companies often cut marketing and/or advertising costs because these are discretionary costs.

Some of our major clients are premium and luxury brands and automobile brands. The revenue and growth of the premium and luxury brands market are highly sensitive to the general global economic performance. Should the premium and luxury brands market suffer a downturn or be affected by fluctuations in the macroeconomic conditions, the branding and marketing budgets of brand owners conducting business with us may be adversely affected. Our sales in integrated marketing solutions services would also be adversely affected if our clients are less willing to host events, shows, exhibitions, etc. as a result of tightened marketing budgets due to economic downturn. This would have an impact on our business and financial performance. For example, if the recent Sino-U.S. trade war persists and as a result the global economic environment deteriorates, the demand for our integrated marketing solutions services could be affected, which may in turn have an adverse impact on our business, financial condition and results of operations.

RISK FACTORS

We engage third party service providers to provide various services. Their failure to provide us with timely and high quality products and services to us may materially and adversely affect our business operations

We may, from time to time, engage third party service providers as required for services, including but not limited to, providing and delivering materials, supplies and equipment to the designated venue of our clients' events. Upon delivery, we will be required to manage the setup of the venue and the installation in a timely manner prior to the event. Timely delivery of such materials, supplies and equipment may be affected by a variety of factors that are beyond our control including, but not limited to, transportation bottlenecks, inclement weather and natural disasters, social unrest, vehicle breakdown, labour strikes or other circumstances beyond our control which may result in delayed or lost deliveries. Our ability to manage the setup of the venue and the installation in a timely manner is dependent on the timely delivery by our third party suppliers. If they fail to deliver their products or services on time or if the products are damaged in the course of delivery, we may not be able to completely carry out the scope of work as agreed under the contract with our client. This could have a negative impact on our brand and reputation, and consequently on our business operations. In addition, any significant increase in the cost of transportation, such as fuel cost, will increase our operating expenses.

We may also from time to time engage other third party service providers including without limitation, venue, media, catering and security service providers. Any failure by the service providers to deliver us with timely and high quality products or services, or to obtain or maintain any requisite approvals, permits, registrations or filings for the services provided, could have a negative impact on our reputation, and consequently on our business operations.

Our Group's business may be affected by seasonality

Our Group's business is subject to seasonality. We typically record lower sales during the first half of the financial year. This is mainly because, according to the CIC Report, the marketing services for premium and luxury brands in the PRC would usually experience a trough in the first quarter, then recover and gather momentum in the second quarter and remain high until the end of the year, as premium and luxury brands in the apparel, handbag and luggage and footwear segment normally introduce their latest fashion trends and launch the promotion campaign in the second half of the year. As such, any comparison of sales and results of operations between periods within a single financial year for our Group may not be meaningful and should not be relied upon as an indicator of our Group's performance for the entire financial year. Our Directors expect that the results of our operations will likely continue to be subject to seasonality in the future.

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We are exposed to actual and potential claims and legal actions by Mr. So in relation to his interest in Activation Group and/or our Group

In September 2018, Mr. So, a former director of Activation Group, brought an action at People's Court of Changning District in Shanghai (上海市長寧區人民法院) against Activation Group and Activation International for a confirmation by the court that he is entitled to 10.83% of shareholding in Activation Group. As at the Latest Practicable Date, the court hearing for this case had been scheduled to take place on 31 January 2020. In the event that the court decides in favour of Mr. So in respect of his claim, our Group's interest in Activation Group will be reduced so that Activation Group will be owned as to 82.17% by Activation International, 7% by Yuyao Investment and 10.83% by Mr. So. In addition, some of the shareholders of Fine Access (including Mr. Chan and Ms. Low, who are our executive Directors, and other shareholders who are also shareholders of ACT Partners) received a letter from Mr. So in late November 2019, threatening claims against these shareholders for loss and damage suffered by Mr. So as a result of their approval of the Repurchase by way of the shareholders' resolutions of Fine Access at an undervalue. Please refer to the section headed "History, Reorganisation and Corporate Structure – The Reorganisation – Corporate restructuring – (1) Repurchase and allotment of shares in Brightly Sky – Legal disputes with Mr. So" for details and the latest status of the legal disputes with Mr. So. As such, there is no assurance as to how Mr. So may involve our Group in any other further claims or legal actions, with or without merits, in relation to any dispute of his interest in Activation Group and/or our Group, which may result in legal costs, expenses incurred by our Group and diversion of our management's attention in defending such claims, any of which could have an adverse effect on our business, results of operations and financial condition.

Our business is exposed to the risk of infringement by third parties of the IP rights granted to us by our clients or owned by us

For our sports IP development business, we were granted with exclusive rights from LaLiga to use the brand of 'LaLiga Club' in the PRC and from ASO to use the brand of 'Le Tour de France' in the PRC, to organise, promote and run authorised events under the brands primarily in the sports and entertainment markets in the PRC. Any infringement or passing off by third parties of such IP rights granted to us by our clients may adversely affect our Group's business and financial conditions and results of operations.

Additionally, we rely on a combination of copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. Despite our efforts to protect our proprietary rights, third parties may attempt to copy or otherwise obtain or use our intellectual property, including seeking court declarations that they do not infringe upon our intellectual property rights. Monitoring unauthorised use of intellectual property is difficult and costly, and the steps we have taken may be inadequate to prevent the infringement or misappropriation of our intellectual property rights. From time to time we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs

RISK FACTORS

and diversion of our resources, and thus may materially and adversely affect our business. We can provide no assurance that we will prevail in such litigation, and even if we do prevail, we may not obtain a meaningful recovery.

We were not granted with the IP rights and have no control over the marketing strategies of LaLiga football teams through our IP development with LaLiga Club

We were granted with the exclusive right from LaLiga to use the brand of ‘LaLiga Club’ in the PRC for our sports IP development business. Pursuant to the LaLiga Cooperation Agreements, we were only granted with the exclusive right to use the intellectual property of LaLiga Club (i.e. any composite logos or marks comprising any one or more LaLiga’s logo together with a mark referred to LaLiga Club) but not the IP right of any football team under LaLiga. LaLiga Club does not own the IP rights and has no control over the marketing strategies of the football teams under LaLiga. LaLiga agrees under the LaLiga Cooperation Agreements that it will do its best efforts in providing technical, management and personnel support and advice. Our Directors believe that in case where our Group requires the IP right or cooperation of individual football teams in LaLiga, our Group may initiate such request to LaLiga and LaLiga may arrange, accommodate or negotiate with the individual football teams. As such, there can be no guarantee that the individual football teams in LaLiga Club will accommodate our request and cooperate with our Group, which may in turn limit our Group’s sports IP development business.

We may be subject to intellectual property infringement claims or other allegations by third parties, which may materially and adversely affect our business and results of operations

We cannot be certain that our operations, especially IP development business, do not or will not infringe upon or otherwise violate intellectual property rights or other rights held by third parties. We may in the future be subject to legal proceedings and claims from time to time relating to the intellectual property rights or other rights of third parties.

Additionally, there may be third-party intellectual property rights or other rights that are infringed by our products, services or other aspects of our business without our awareness. If any third-party infringement claims are brought against us, we may be forced to divert management’s time and other resources from our business and operations to defend against these claims, regardless of their merits.

The application and interpretation of the PRC’s intellectual property laws, the procedures and standards for granting trademarks, copyrights, know-how or other intellectual property rights in the PRC, and the laws governing personal rights are still evolving and remain uncertain, and we cannot assure you that PRC courts or regulatory authorities would rule in favor of us.

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If we were found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property or relevant contents, and we may incur licensing or usage fees or be forced to develop alternatives of our own. As a result, our reputation may be harmed and our business and financial performance may be materially and adversely affected.

A significant reduction in or discontinuation of government grants and unfavourable changes in government regulations and policies to our industry could have an adverse impact on our business

During the Track Record Period, we had received various government grants from the PRC's local government authorities as incentives to support our Group's business development, contribution to local economies, and contribution for developing the cultural industry in specific cities. For FY2016, FY2017, FY2018 and 6M2019, we received government grants of approximately RMB6.2 million, RMB4.2 million, RMB6.6 million and RMB6.4 million, respectively. As the government grants are non-recurring in nature, there is no certainty as to whether we may continue to receive such government grants, or at all. As such, we may experience decrease in profitability, and our business, financial condition and results of operations may be adversely affected.

As at the Latest Practicable Date, in addition to what is generally required for carrying on our businesses in the relevant jurisdictions, there are no material requisite licences or permits for the provision of integrated marketing solutions services to our clients. However, the PRC government and/or the Hong Kong government may revise its current regulations and policies unfavourably for our operations and business in the future. Any imposition of onerous obligations on us to comply with licensing requirements may increase our costs of operation and in turn adversely affect our profitability. We cannot give any assurances that we will successfully obtain all the necessary licenses and permits to continue our business. It is possible that we may be required to suspend our operations until the relevant licenses are issued or even cease certain aspects of our business if we fail to obtain such licenses for reasons that are beyond our control.

Our business strategies and future plans may not materialise and may expose our Group to business and financial risks

The business strategies and future plans as set out in the sections headed "Business – Our Strategies" and "Future Plans and Use of Proceeds – Future Plans" represent the targets, objectives, and future plans of our Group. Such targets, objectives, and future plans are by their nature subject to uncertainties and risks and our Group's actual course of business may vary from our business strategies and future plans as set out in this prospectus, depending on whether all the assumptions will hold true in the future and whether new circumstances which did not exist when the business strategies and future plans were determined by our Directors will arise in the future. As such, there can be no guarantee that the future plans of our Group will materialise or that our business strategies will be successfully implemented. For instance, we expect to incur significant costs in connection with our business strategies for growing our

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IP development business and expanding our business both in the overseas and local markets, which could put significant strain on our management and operational resources. We cannot give assurance that our resources will be adequate to support our future growth. Failure to execute our expansion plans and strategies effectively may lead to increased costs and reduced profitability, which could in turn have a material adverse effect on our business, financial conditions and results of operations.

We face valuation uncertainties in our investments in entertainment projects due to the use of unobservable inputs

We had investments in certain theatre circus shows, an online reality show and an online drama with a fair value loss of approximately RMB4.1 million in FY2017. In addition, the valuation of fair value of our investments in entertainment projects is subject to uncertainties in estimations. Such estimated changes in fair values involve the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs, which, by their nature, are subjective and uncertain. As such, the valuation of our investments in entertainment projects has been, and will continue to be, subject to uncertainties in estimations, which may not reflect the actual fair value of these projects and result in significant fluctuations in profit or loss from year to year.

We had significant amounts of goodwill and therefore we might be subject to the possibility of provision of impairment losses for such goodwill

We recorded goodwill of RMB9.2 million, RMB10.2 million, RMB10.2 million and RMB10.2 million as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, respectively. We undertake goodwill impairment reviews annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. We estimate the value in use of the cash-generating units to which the goodwill is allocated. As at the Latest Practicable Date, we did not identify any impairment indicator of our goodwill. However, if the carrying value of our goodwill is considered to exceed its recoverable amount and our goodwill is therefore determined to be impaired in the future, we would be required to write down the carrying value or record a provision of impairment loss for goodwill in our financial statements during the period in which our goodwill is determined to be impaired, and this impairment would adversely affect our results of operations and our financial condition.

Valuation of goodwill requires the estimation of future cash flows, revenue, gross profit margin, operating expenses and working capital requirements. The assumptions and estimations are based on past performance, our management's expectations of market development, among other things. The uncertainties in the relevant accounting estimates and any decrease in the value of our goodwill could result in losses that materially and adversely affect our results of operations. We cannot assure you that we will not incur additional impairment losses on our goodwill in the future, which may materially and adversely affect our financial condition and results of operations.

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We recorded negative operating cash flow for the six months ended 30 June 2018. If we continue to have negative operating cash flow in the future, our liquidity and financial position may be materially and adversely affected

We recorded negative operating cash flow of approximately RMB9.5 million for the six months ended 30 June 2018. We recorded negative operating cash flow during that period primarily due to the increase in our prepayments, deposits and other receivables. Such cash outflows may not always be completely offset by proceeds received from our provision of integrated marketing solutions services for the respective period. As a result, there could be a period during which we experience net cash outflow. Despite the positive operating cash flow of approximately RMB25 million for the six months ended 30 June 2019 and that we seek to effectively manage our working capital, we cannot assure you that we will be able to record positive operating cash flow or positive total cash flow in the future. Our liquidity and financial position may be materially and adversely affected should our future operating cash flow become negative, and we can give no assurance that we will have sufficient cash from other resources to fund our operations.

Negative operating cash flow may require us to obtain sufficient additional financing to meet our financing needs and obligations and to support our expansion plans. In the event that we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient external funds to finance our business, our liquidity and financial condition may be materially and adversely affected and we may not be able to expand our business. We cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all. Moreover, the level of our indebtedness and the amount of our interest payments could further limit our ability to obtain the necessary financing or obtain favourable terms for the financing to fund future capital expenditures and working capital. Such limitations could reduce our competitiveness and increase our exposure and sensitivity to adverse economic and industry conditions, which could materially adversely affect our financial condition and results of operations.

Sustainability of gross profit margin

During the Track Record Period, our Group had attained a gross profit margin of approximately 37.4%, 30.3%, 25.2% and 32.1%, respectively. Overall speaking, our Group had decreasing gross profit margin during FY2016 to FY2018 mainly due to factors including but not limited to (i) adjustment on our pricing strategy to restore greater market share (in particular in the digital and brand communication services); (ii) we had accepted lower gross profit margin projects for larger contract sum projects, in particular for automobile projects; and (iii) fluctuation of gross profit margin in the IP development segment and our public relation services during the Track Record Period. However, our Group's gross profit margin has restored during 6M2019.

RISK FACTORS

The gross profit margin attained by our Group during the Track Record Period may not be taken as a reference to estimate our Group's gross profit margin in the future. There is no assurance that our Group will be successful in meeting all challenges and addressing the risks and uncertainties as may be faced by our Group in the future and our Group's gross profit margin can be maintained in the level similar to those in the Track Record Period. Should our Group fail to maintain such gross profit margin, our Group's financial results may be adversely affected.

Our historical results may not be indicative of our future financial performance

For each of FY2016, FY2017, FY2018 and 6M2019, our Group's revenue amounted to approximately RMB361.8 million, RMB492.5 million, RMB684.3 million and RMB273.0 million, respectively and our Group's net profit for each of FY2016, FY2017, FY2018 and 6M2019 amounted to approximately RMB38.5 million, RMB25.5 million, RMB43.5 million and RMB22.9 million, respectively. Our historical financial performance may not be an accurate reflection of our future financial performance. Our historical operations largely depend on our ability to retain existing clients and attract new ones and take advantage of any growth in the relevant markets. Year-to-year comparisons of our operating results during the Track Record Period may not be indicative of our future performance and you should not rely on them to predict the future performance of our operating results or the price of our Shares. There is no guarantee that our Group can continue to achieve the same or higher level of financial performance as we did during the Track Record Period in the future.

We are subject to credit risk of our clients

We are subject to credit risk of our clients, and our profitability and cash flow are dependent on the ratio of outstanding receivables to cash received in a period. If there is any delay in payment by our clients, our profitability, working capital and cash flow may be adversely affected. As at FY2016, FY2017, FY2018 and 6M2019, our billed receivables amounted to approximately RMB51.0 million, RMB65.2 million, RMB113.2 million and RMB93.7 million, respectively, and our unbilled receivables amounted to approximately RMB53.3 million, RMB125.3 million, RMB149.0 million and RMB118.8 million, respectively. During the Track Record Period, the billed receivables turnover days of our Group were 39 days, 43 days, 46 days and 67 days, respectively. There is no assurance that we will be able to collect all or any of our billed receivables in a timely manner. If any of our clients face unexpected situations such as financial difficulties or deterioration in credit worthiness, we may not be able to receive full or any payment of the uncollected sums or enforce any judgment debts against such clients. There is no assurance that we will be able to fully recover our billed receivables and unbilled receivables from our clients or that they will settle our billed receivables and unbilled receivables in a timely manner. In the event the settlements from our clients are not made on a timely manner or at all, the financial position, profitability and cash flow of our Group may be adversely affected.

RISK FACTORS

We are exposed to foreign exchange risks

Our major functional currency is RMB, while some of our business transactions and our cost of sales that are paid in foreign currency are mainly denominated in RMB, HKD and USD. Our foreign exchange exposure may not necessarily result in a gain. We are exposed to foreign currency risks as a result of sales and purchases that are denominated in a currency other than RMB. During the Track Record Period, our foreign exchange exposure resulted in gain amounted to RMB990,000, RMB48,000, RMB83,000 and RMB30,000, respectively. In addition, in respect of exchange differences on translation of foreign operations, we recorded an income of approximately RMB1.6 million for FY2016, a loss of approximately RMB5.7 million for FY2017, an income of approximately RMB2.8 million for FY2018 and a loss of RMB162,000 for 6M2019. Any significant changes in the exchange rate between RMB and other currencies may also result in substantial loss for us and our financial condition and results of operations may be materially and adversely affected.

We cannot assure you that we will declare dividends in the future

During the Track Record Period, our Group declared dividends of approximately RMB18.6 million, RMB10.1 million, RMB33.5 million and RMB33.5 million, respectively, to the then shareholders. We cannot assure you, however, that in the future, our Group will pay dividends at a similar level to past dividends, or at all, and potential investors should be aware that the amount of dividends our Group paid in the past should not be used as a reference or basis upon which future dividends are determined.

The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, and will depend upon, among other things, our earnings, cash flow requirements, financial condition, capital requirements, statutory fund reserve requirements and other relevant factors prevailing at the time.

Our Group operates in a competitive industry and we may face fiercer competition if there are new entrants

According to the CIC Report, the marketing solution services belongs to a competitive industry in Greater China with no major leading market player. The experiential marketing services for premium and luxury brands market in Greater China, where our Group is operating in, has a market size of approximately RMB7.9 million, of which our Group accounted for approximately 6.3% according to the CIC Report. Integrated marketing solution services providers of different levels, ranging from global 4A companies, local large-sized marketing services groups, to a large number of small-to-medium-sized enterprises, participate in the industry competition with the full use of their well-developed resources, including strategy and creativity, digital platform technology, and unique media resources. Small service providers are competing in the industry by offering similar services at a much lower price. Therefore, price competition among service providers makes the market landscape much more competitive. Our Group faces keen competition from existing marketing and public relations agencies or new entrants such as small service providers who may be able to offer integrated marketing solutions services similar to those offered by our Group in Greater China for less complex projects at a more competitive price. In order to stay competitive in this industry, market participants have to ensure that their services are consistently of a high quality while maintaining competitive prices in order to successfully undercut competition to secure contracts. There is no assurance that our Group's business will remain competitive in this industry. Failure to maintain or enhance our competitiveness in the industry may lead to lower profit margins and loss of market share, which may in turn adversely affect our profitability and operating results.

RISK FACTORS

Our insurance coverage may not be sufficient to cover all risks involved in our business operations

Our operations are subject to risks typically associated with the provision of integrated marketing solutions services. Please refer to the section headed “Business – Insurance” for details relating to our insurance coverage.

There is no assurance that our current insurance coverage will be able to cover all types of risks involved in our business operations, or be sufficient to cover the full extent of loss or liability for which we may be held liable. Any event that is not insured and any loss or liability that exceeds the limit or is excluded from the scope of our existing insurance policies may materially and adversely affect our business, results of operations and financial condition.

As at the Latest Practicable Date, in addition to what is generally required for carrying on our businesses in the relevant jurisdictions, there are no material requisite licences or permits for the provision of integrated marketing solutions services to our clients. However, the PRC government and/or the Hong Kong government may revise its current regulations and policies unfavourably for our operations and business in the future. Any imposition of onerous obligations on us to comply with licensing requirements may increase our costs of operation and in turn adversely affect our profitability. We cannot give any assurances that we will successfully obtain all the necessary licenses and permits to continue our business. It is possible that we may be required to suspend our operations until the relevant licenses are issued or even cease certain aspects of our business if we fail to obtain such licenses for reasons that are beyond our control.

Our business may be adversely affected by the occurrence of acts of God, epidemics and natural disasters

Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect our business. The PRC, Hong Kong and Macau are/were under the threat of flood, fire, or epidemics such as Severe Acute Respiratory Syndrome (also known as SARS), Middle East Respiratory Syndrome (also known as MERS), H5N1 avian flu, Ebola, as well as influenza caused by H7N9 and H3N2 or the human swine flu, also known as influenza A (H1N1) virus. Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the economies and imposed negative shocks on consumer expenditures in the PRC, Hong Kong and Macau. A recurrence of SARS or an outbreak of any other epidemics in the PRC, Hong Kong and Macau, such as the H5N1 avian flu, MERS or the human swine flu, may deter public gatherings and reduce the demand for marketing and entertainment-related events, shows, exhibitions, etc., which could interrupt our operations or the services or operations of our suppliers and clients and have a negative effect on our business, financial condition, results of operations and prospects.

RISK FACTORS

RISKS RELATING TO DOING BUSINESS IN THE PRC

PRC economic, political, social conditions as well as government policies could adversely affect our business, prospects, financial condition and financial results

We conduct the majority of our business operations in the PRC which could be influenced by, among others, (i) political structure; (ii) level of the PRC government involvement and control; (iii) growth rate and level of development; (iv) level and control of capital investment and reinvestment; (v) control of foreign exchange; and (vi) allocation of resources. We cannot predict whether changes in the PRC's economic, political and social conditions and its laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations. In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. The PRC government has in the past implemented a number of measures intended to curtail certain segments of the economy, which the government believed to be overheating. These actions, as well as other actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the PRC and, in turn, have an adverse impact on our business and financial condition.

We are a holding company and our dividend payments rely on, among others, our subsidiaries in the PRC

We have subsidiaries in Shanghai and Beijing in the PRC. The ability of our subsidiaries there to distribute dividends is regulated by the PRC law. In particular, under the PRC law, each of our PRC operating subsidiaries may only pay dividends after 10% of their net profit has been set aside as statutory reserve funds, unless such statutory reserves have reached at least 50% of its registered capital. The statutory reserves are not available for distribution to us, except in liquidation. Also, the calculation of distributable profits under the PRC accounting standards differs in many aspects from the calculation under the HKFRSs. As a result, our subsidiaries in the PRC may not be able to pay any dividends in a given year to us if it does not have distributable profits as determined under the PRC accounting standards, even if it may have profits for that year as determined under HKFRSs. Limitations on the ability of our PRC subsidiaries to remit their entire after-tax profits to us in the form of dividends or other distributions could adversely affect our ability to grow, make investments that could be beneficial to our business, pay dividends and otherwise fund and conduct our business. We cannot assure that our subsidiaries will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to us to enable us to pay dividends to our Shareholders.

RISK FACTORS

Dividends payable by us to our foreign investors and any gain on the sale of our Shares may become subject to withholding taxes under the PRC tax laws

Under the current PRC tax laws and regulations, the payment of dividends to a non-PRC resident shareholder is subject to withholding tax of 10%. Pursuant to the Agreements between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed in Hong Kong on 21 August 2006, the withholding tax rate on dividends paid by a non-PRC resident shareholder would be reduced to 5%, provided that such shareholder is incorporated in Hong Kong and meets the relevant requirements therein. Our Company is incorporated in the Cayman Islands and therefore is likely to be deemed a non-PRC resident shareholder. As such, when our subsidiaries in the PRC are capable of paying our Company dividends, we may be liable for the PRC dividend withholding tax. The relevant law may be changed adversely to us from time to time and our results of operations may be adversely affected.

Fluctuations in the value of the RMB may have a material and adverse impact on your investment

During the Track Record Period, our major operating subsidiaries are located in the PRC. Dividends, if any, we pay on our Shares will be in Hong Kong dollars. Depreciation in the RMB, on the other hand, would adversely affect the amount of any dividends we pay to our Shareholders, or require us to use more RMB funds to service the same amount of any foreign debt. The RMB exchange rates are affected by, among other things, changes in political and economic conditions and PRC's foreign exchange regime and policy. There are limited hedging instruments available in the PRC to reduce our exposure to exchange rate fluctuations between the RMB and other currencies. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced currency volatility. As at the Latest Practicable Date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

The PRC government's control over foreign currency conversion may adversely affect our business and results of operations and our ability to remit dividends

Conversion and remittance of foreign currencies are subject to the PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. Under the PRC current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but are subject to certain procedural requirements. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any

RISK FACTORS

insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert RMB into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected.

Failure to comply with requisite approval/filing requirements of NDRC in respect of our outbound investment may subject us to penalties and/or any other liabilities and we may not be able to fully recoup our outbound investment in case of future promulgation or implementation of detailed rules, policies, regulations or laws with respect thereto

We failed to comply with the requisite approval/filing requirements of NDRC in respect of our outbound investments in Activation Events HK and Activation Marketing pursuant to the relevant provisions of the 2004 Measures and the 2014 Measures. As a result, the NDRC may, in conjunction with relevant departments, order the relevant investors (i.e. Activation Group) to suspend the implementation of such investments (i.e. investment in Activation Events HK and Activation Marketing) and request or transfer the case to, the relevant government authority to pursue the relevant responsible person for the legal and administrative liability, under the 2004 Measures and the 2014 Measures. Pursuant to an interview conducted by our PRC Legal Advisers with the responsible officer of Shanghai NDRC on 16 September 2019, no concrete rules regarding the imposition of penalty in connection with such non-compliance of the requisite approval/filing requirements have been promulgated and implemented. However, we cannot assure you that, there will be no detailed rules, circulars, policies, regulations or laws in relation to the imposition of penalty with respect to such non-compliance promulgated or implemented in the future. Therefore, there is no assurance that we will not be subject to penalties or any other liabilities arising from such failure in performing such requisite NDRC approval/filing requirements. Furthermore, we could not assure you that there would be no provisions in the detailed rules, circulars, policies, regulations or laws to be promulgated and implemented in the future, which would set restrictions on our capacity to recoup our investment including in forms of collection of proceeds of dividends distributed by Activation Events HK and Activation Marketing and/or collection of proceeds derived from dissolution or sale of any shares or assets of Activation Events HK and Activation Marketing. If any of the foregoing were to occur, our financial condition and results of operations may be adversely affected.

Our business may be adversely affected by the introduction of new laws or changes to existing laws by the PRC government and uncertainties regarding interpretation and enforcement of the PRC laws and regulations

Our business and operations in the PRC are governed by the legal system of the PRC. The PRC legal system is a codified system with written laws, regulations, circulars and administrative directives. The PRC government is still in the process of developing its legal system, so as to meet the needs of investors and to encourage foreign investment. As the PRC economy is undergoing development generally at a faster pace than its legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations

RISK FACTORS

will apply to certain events or circumstances. Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are still at an experimental stage and are therefore subject to policy changes. Further, court decisions in the PRC do not have any binding effect on lower courts and it may be difficult to enforce judgments and arbitration awards in the PRC. Accordingly, the outcome of dispute resolutions may not be as consistent or predictable as compared to other more developed jurisdictions and it may be difficult to obtain swift and equitable enforcement of the laws in the PRC, or to obtain enforcement of a judgment by a court of another jurisdiction.

The uncertainties in the application and interpretation of the evolving personal information protection laws and regulations could adversely affect our business, financial conditions and results of operations

We may involve the collection, usage, analysis and storage of personal information in our business. There are various PRC laws and regulations regarding privacy and the collection, storage, sharing, use, disclosure and protection of personal information. Personal information is increasingly subject to legislations and regulations with higher scrutiny. However, such laws, rules and regulations are still under development, while the interpretation and potential changes of which remain unclear. We cannot assure you that the measures we have taken or will take for the protection, management and storage of personal information are adequate under such laws, rules and regulations. If any of our measures is determined by the competent governmental authority to be in non-compliance with the requirements of such laws, rules and regulations, or if further changes in our business practices are required under the PRC's evolving regulatory framework for the protection of personal information, our business, financial condition and results of operations may be adversely affected.

Failure to make adequate contributions of social insurance for our foreign employees and employees with Hong Kong, Macau or Taiwan residency as required by PRC national laws and regulations may subject us to penalties

Pursuant to the relevant PRC national laws and regulations, we are required to make contributions of social insurance for our foreign employees and employees with Hong Kong, Macau or Taiwan residency, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance and maternity insurance, while under the local regulations of Shanghai Municipality, the relevant regulations are unclear as to whether it is compulsory for an employer to make contributions of social insurance for its foreign employees and employees with Hong Kong, Macau or Taiwan residency. During the Track Record Period, we followed the local regulations of Shanghai Municipality and did not make contributions of social insurance for our foreign employees and employees with Hong Kong, Macau or Taiwan residency.

We may be required to pay the unpaid contributions plus a late penalty of 0.05% of the total outstanding balance per day within a prescribed period. If we fail to do so within the prescribed period, we may be subject to a fine ranging between one to three times of the total outstanding balance.

RISK FACTORS

A provision of an aggregate amount of approximate RMB3.1 million has been made in our financial statements with respect to such unpaid social insurance for our foreign employees and employees with Hong Kong, Macau or Taiwan residency as of 30 June 2019.

As of the Latest Practicable Date, no administrative actions had been initiated against us, and no fine or penalty has been imposed on us by the relevant governmental authorities with respect to such unpaid social insurance premium.

However, we cannot assure you that we will not be required by the relevant governmental authorities to make up the contributions for the unpaid social insurance premium as well as to pay late fees and fines in the future, or required by our foreign employees and employees with Hong Kong, Macau or Taiwan residency to make up the contribution of social insurance for them in accordance with PRC national laws and regulations; if these were to occur, our financial condition and results of operations may be adversely affected.

There are uncertainties with respect to the application of PRC tax laws regulating the indirect transfers of assets (including equity interests) by us or our direct or indirect shareholders

In February 2015, the SAT issued the Announcement on Certain Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (as amended on 17 October 2017 and 29 December 2017) (“**Circular 7**”) which abolished certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises (《關於加強非中國居民企業股權轉讓所得企業所得稅管理的通知》) (“**Circular 698**”), which was previously issued by the SAT in December 2009, as well as certain other rules providing clarification on Circular 698. On 17 October 2017, the SAT promulgated the Announcement on Matters Concerning Withholding and Payment of Income Tax of Non-resident Enterprises from Source (國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告) (“**SAT Circular 37**”), which came into force and replaced certain provisions of Circular 7 and certain other rules or regulations on 1 December 2017. SAT Circular 37, among other things, simplifies the procedures of withholding and payment of income tax levied on non-resident enterprises.

Circular 7 provides comprehensive guidelines relating to, and also heightens the PRC tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (“**PRC Taxable Assets**”). Circular 7 specifies that when a non-resident enterprise transfers PRC Taxable Assets indirectly by transferring equity interests in an overseas enterprise directly or indirectly holding such PRC Taxable Assets, the PRC tax authorities are entitled to reclassify the nature of such indirect transfer of PRC Taxable Assets as a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose.

RISK FACTORS

Although Circular 7 contains certain exemptions, it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of shares within our Group conducted by us or our direct/indirect shareholders, such as purchasing our shares in the open market, and selling such shares in a private transaction, or vice versa, or to any future acquisition conducted by us outside of PRC involving PRC Taxable Assets, or whether the Chinese tax authorities reclassify such transactions by applying Circular 7.

As a result, we face uncertainties as to the application of Circular 7 and/or SAT Circular 37, including reporting and other obligations with respect to certain past and future transactions where PRC Taxable Assets are involved, such as offshore restructuring, repurchase or subscription or sale of the shares in our offshore subsidiaries or investments. We may be subject to filing obligations or be taxed as the transferor, or subject to withholding obligations as the transferee, in the transactions. For transfer of our shares by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in filings and provision of materials under Circular 7 and/or SAT Circular 37. We may be required to allocate valuable resources to comply with all these requirements in Circular 7 and/or SAT Circular 37, or to establish that we should not be taxed under these rules, which may have a material adverse effect on our financial condition and results of operations.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of domestic companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in the PRC

The *Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investor* (《關於外國投資者併購境內企業的規定》), or the M&A Rules, adopted by six PRC regulatory authorities in 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of an affiliated PRC domestic enterprise. Moreover, the *Anti-Monopoly Law* (《反壟斷法》) requires that the anti-trust governmental authority shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the *Provisions of the Ministry of Commerce on the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (《商務部實施外國投資者併購境內企業安全審查制度的規定》) issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring other integrated marketing solutions providers. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required

RISK FACTORS

approval processes, including obtaining approval from the MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

PRC regulations on loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries

As an offshore holding company of our PRC subsidiaries, we may make loans to our relevant PRC subsidiaries which are directly invested by offshore subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We may also finance our PRC subsidiaries by means of capital contributions. According to the relevant PRC regulations on foreign-invested enterprises in the PRC, the increasing of capital contributions to our PRC subsidiaries is subject to the filing or registration with the MOFCOM or its local branches and the registration with other governmental authorities in the PRC. We expect that PRC laws and regulations may continue to limit our use of net proceeds from the Global Offering or from other financing sources. We may not be able to obtain these government registrations on a timely basis, if at all, with respect to future loans or capital contributions by us to finance our PRC subsidiaries. If we fail to receive relevant registrations, our ability to use the proceeds of the Global Offering and to capitalise on our PRC operations would be negatively affected which would adversely and materially affect our liquidity and our ability to expand our business.

RISKS RELATING TO DOING BUSINESS IN HONG KONG

Political considerations of Hong Kong

Our business and results of operations are subject to the political, economic and social policies and conditions of Hong Kong where part of our operating activities are conducted. As Hong Kong is a special administrative region of the PRC, the PRC may, by its political and economic policies, exert influence on the foregoing aspects of Hong Kong. The PRC economy features a higher degree of government involvement. Any adverse changes of political, economic or social conditions in the PRC, such as political instability, may also have an adverse impact on economic activity and government administration in Hong Kong. This may in turn affect the demand for our Group's integrated marketing solutions services in both Hong Kong and the PRC, resulting in deteriorated financial performance of our Group. There is no assurance that the PRC government will not introduce more restrictive or onerous policies that will adversely affect the political, legal, economic and social conditions of Hong Kong in the future, which may in turn bring uncertainty to our business operations and may materially and adversely affect our prospects and results of operations.

RISK FACTORS

The state of economy in Hong Kong may adversely affect our performance and financial condition

Our performance is subject to the overall state of economy in Hong Kong where part of the business operations of our Group is based in. If Hong Kong experiences any deterioration in its economic, political and regulatory environment, or if there is any adverse change in the economic conditions in Hong Kong due to events beyond our control, such as natural disasters, contagious disease outbreaks, terrorist attacks, local economic downturn, mass civil disobedience movements, civil disturbance, social unrest, strike, riot, etc., or if the local authorities place additional restrictions or burdens on us or on our industry in general, the business operations of our clients in Hong Kong will be adversely affected, which in turn could reduce the demand for our integrated marketing solutions services in Hong Kong and could have an adverse impact on our Group's business and financial conditions, thus adversely affecting our operating results.

In the past 10 years, a civil disobedience movement referred to as Occupy Central began and a number of anti-parallel trader rallies took place in Hong Kong. Recently, a series of anti-extradition bill demonstrations and protests took place in Hong Kong. We cannot assure you that any future occurrence of similar social events would not have an adverse impact on our Group's operations and financial performance.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

An active and/or open trading market for our Shares may not develop as at or after the Listing

There has not been a public market for our Shares. Shares of our subsidiary, Activation Group, were previously listed on NEEQ but such listing was voluntarily withdrawn in January 2018. While we have applied for listing and dealing in our Shares on the Main Board of the Stock Exchange, an active, open or liquid public market for our Shares may not develop as at or after the Listing or be sustained if developed. Shareholders are reminded that as one of the conditions for the Listing, there must be an open market in the Shares to develop at the time of Listing. The Stock Exchange will not grant the approval for, and the SFC may object to, the listing of the Shares if an open market in the Shares does not exist at the time of Listing. Besides, the SFC may exercise its power of suspension under section 8 of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) if, at any time after the Listing, it appears to the SFC that there may not have been an open market and that a suspension in the trading of Shares is necessary or expedient in the interest of maintaining an orderly and fair market in the Shares and in the interests of the investing public or for the protection of our investors.

The Offer Price may not be necessarily indicative of the market price of our Shares after the Global Offering is complete. An investor who purchases our Shares in the Global Offering may not be able to resell such Shares at or above the Offer Price and, as a result, may lose all or part of the investment in such Shares.

RISK FACTORS

Liquidity, trading volume and trading price of our Shares may be volatile, which could result in substantial losses for the Shareholders

The price at which our Shares will trade after the Global Offering will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenue and cost structure such as the views of independent research analysts, if any;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- general market sentiment regarding the marketing industry;
- changes in applicable laws and regulations in the PRC and Hong Kong; and
- political, economic, financial and social developments in the PRC and worldwide.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the share prices for the securities of companies listed on the Stock Exchange. As a result, investors in our Shares may experience volatility in the price of their Shares and a decrease in the value of Shares regardless of our operating performance or prospects.

Termination of the Underwriting Agreements

Prospective investors should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) by giving written notice to our Company upon the occurrence of any of the events stated in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination" at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any series of events in the nature of force majeure.

Should the Joint Global Coordinators (for themselves and on behalf of the Underwriters) exercise their rights and terminate the Underwriting Agreements, the Global Offering will not proceed and will lapse.

RISK FACTORS

Future sales of substantial amounts of the Shares in the public market may adversely affect the prevailing market price of the Shares

Except for our Shares to be issued under the Capitalisation Issue, the Global Offering and the grant of, and the issue of any shares which may be allotted and issued pursuant to the exercise of, options which may be granted under the Share Option Scheme, our Company has agreed with, among others, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters under the Hong Kong Underwriting Agreement not to issue any of the Shares or securities convertible into or exchangeable for the Shares during the period beginning from the date of the Hong Kong Underwriting Agreement and continuing through the date which is six months from the Listing Date, except with the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters). Further, the Shares held by our Controlling Shareholders are subject to certain lock-up undertakings for periods commencing on the date of this prospectus and up to 12 months from the Listing Date. After these restrictions lapse, the market price of the Shares may decline as a result of sales of substantial amounts of the Shares or other securities relating to the Shares in the public market, the issuance of the new Shares or other securities relating to the Shares, or the perception that such sales or issuances may occur. This may also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate.

Shareholders' interests may be diluted as a result of additional equity fund-raising

We may need to raise additional funds in the future to finance any further expansion of our business. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, their percentage ownership in our Company may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by the Shares.

Exercise of options granted under the Share Option Scheme may result in dilution to the Shareholders

We conditionally adopted the Share Option Scheme on 19 December 2019. As at the Latest Practicable Date, no option had been granted to subscribe for any Shares under the Share Option Scheme. Following the issuance of new Shares upon exercise of any options that may be granted under the Share Option Scheme, there will be an increase in the number of issued Shares. As such, there may be a dilution or reduction of shareholding of existing Shareholders which results in a dilution or reduction of our earnings per Share and net asset value per Share. In addition, the fair value of options to be granted to eligible participants under the Share Option Scheme will be charged to our combined statements of profit or loss and other comprehensive income over the vesting periods of the options. Fair value of the options shall be determined on the date of granting of the options. Accordingly, our financial results and profitability may be materially and adversely affected.

RISK FACTORS

The interests of our Controlling Shareholders may not always coincide with our interests and those of our other Shareholders

Immediately following completion of the Global Offering and Capitalisation Issue (assuming the Over-allotment Option is not exercised and taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), our Controlling Shareholders will hold directly or indirectly (as applicable) approximately 34.0% of the issued share capital of our Company. Our Controlling Shareholders will be in a position which has significant influence over the operations and business strategy of our Company, and may have the ability to require us to effect corporate actions according to their own desires. If the interests of any of our Controlling Shareholders conflict with our and/or your interests, our Company or those other Shareholders, including you, may be adversely affected as a result.

There may be difficulties in protecting your interests because our Company is incorporated under the Companies Law in the Cayman Islands

Our corporate affairs are governed by, among other things, our Memorandum and Articles of Association and by the Companies Law and common law of the Cayman Islands. The law of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. Such differences may mean that our minority shareholders may have different protection than they would have under the laws of Hong Kong and other jurisdictions. Please see the section headed “Appendix III – Summary of the Constitution of our Company and Cayman Islands Company Law”.

Proceeds from the Global Offering may be subject to foreign exchange risk

Our headquarter is in the PRC with our sales and purchases mainly denominated in RMB while the proceeds from the Global Offering will be denominated in Hong Kong dollars. As such, we may be exposed to fluctuations in exchange rate and any unfavourable fluctuation against our Group may adversely affect the underlying value of our proceeds from the Global Offering.

RISKS RELATING TO INFORMATION CONTAINED IN THIS PROSPECTUS

Certain facts and statistics in this prospectus relating to our industry may not be reliable

Certain facts and statistics in this prospectus, including industry data and forecasts, have been derived from various official government publications and independent sources which we generally believe to be reliable. However, we cannot guarantee the quality or reliability of such materials. None of us, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or our or their respective affiliates or advisers have independently verified, or made any representation as to, the accuracy of such facts, statistics, data and forecasts. Investors should not place undue reliance on such facts,

RISK FACTORS

statistics, data and forecasts. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and you should not place undue reliance on them. Furthermore, they may not be stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering. We have not authorised the disclosure of any information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on any such information.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements that are “forward-looking” and may use forward looking terminology such as “aim”, “anticipate”, “believe”, “can”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” or similar expressions, or their negatives or other similar expressions. Those statements include, among other things, the discussion of our business strategies and the expectations of our future operations, liquidity and capital resources. Purchasers and subscribers of our Offer Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or our or their respective affiliates or advisers that our plans and objectives will be achieved. Investors should not place undue reliance on such forward-looking information.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, affiliates, advisors, agents or representatives or any person, or party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering", and the procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters, and the International Placing is expected to be fully underwritten by the International Underwriters. The Global Offering is subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

The Global Offering is managed by the Joint Global Coordinators. If, for any reasons, the Offer Price is not agreed upon among our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. Please refer to the section headed “Underwriting” for further details.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares is set out in the section headed “How to Apply for the Hong Kong Offer Shares” and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the sections headed “Structure and Conditions of the Global Offering” and “How to Apply for the Hong Kong Offer Shares – 4. Terms and Conditions of an Application”.

RESTRICTIONS ON OFFER AND SALE OF SHARES

No action has been taken to permit a public offering of the Offer Shares or the general distributions of this prospectus in any jurisdiction, other than in Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus, and the offering and sale of the Offer Shares, in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Shares to be issued under the Capitalisation Issue and any Shares which may be issued upon exercise of options granted under the Share Option Scheme. Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

The Shares will be traded in board lots of 2,000 Shares. The stock code of the Shares is 9919.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advice for details of these settlement arrangements and how such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

REGISTERS AND HONG KONG STAMP DUTY

All Offer Shares subscribed for pursuant to applications made in the Hong Kong Public Offering will be registered on our Company's branch register of members to be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Our Company's principal register of members will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Dealings in Offer Shares registered in the branch register of members of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of and dealing in the Offer Shares. None of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposition of Offer Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

EXCHANGE RATE CONVERSION

Unless otherwise specified in this prospectus, certain amounts denominated in Hong Kong dollars have been translated into RMB at an exchange rate of HK\$1.00 = RMB0.8988, for illustrative purposes only. Such conversions shall not be construed as representations that amounts in Hong Kong dollars were or could have been or could be converted into RMB at such rates or any other exchange rates on such date or any other date.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in this English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

ROUNDING

Certain monetary amounts included in this prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our company secretary must be an individual who by virtue of his or her academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

We have appointed Mr. Du as one of our joint company secretaries. Mr. Du has sufficient knowledge and experience about our Group's business operations and corporate culture. However, Mr. Du does not possess the specified qualifications as stated in Note 1 to Rule 3.28 of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. As a result, we have appointed Ms. So Shuk Yi Betty ("**Ms. So**"), who meets the requirements under Rule 3.28 of the Listing Rules, to act as the other joint company secretary and to provide assistance to Mr. Du. For details of her biography, please refer to the section headed "Directors and Senior Management". As such, Ms. So will provide assistance to Mr. Du for an initial period of three years from the Listing Date (the "**Engagement Period**"), so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Ms. So will work closely with Mr. Du to jointly discharge the duties and responsibilities of a company secretary and assist Mr. Du to acquire the relevant experience as required under Rule 3.28 of the Listing Rules. She will also provide adequate training and guidance to Mr. Du during the Engagement Period. In the event that Ms. So resigns or her engagement is terminated earlier than the expiration of the Engagement Period, our Company will employ another qualified candidate as the joint company secretary to replace Ms. So and to assist Mr. Du until the end of the Engagement Period. In addition, Mr. Du will attend relevant trainings to enhance and improve his knowledge of and familiarity with the Listing Rules and other relevant laws, rules and regulations. Mr. Du will also be assisted by the compliance adviser and Hong Kong legal advisers of our Company as and when required from time to time, particularly in relation to matters concerning our Company's on-going compliances under the Listing Rules and the applicable laws and regulations of Hong Kong.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, on the condition that Ms. So is engaged as a joint company secretary and provides assistance to Mr. Du during the Engagement Period. If Ms. So ceases to render assistance to Mr. Du during this period and in the absence of another qualified company secretary rendering the same assistance, the waiver will be immediately withdrawn. Prior to the expiry of the three years period (where applicable), we will conduct a further evaluation of the qualification and experience of Mr. Du to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied. Our Company and Mr. Du would then endeavor to demonstrate to the Stock Exchange's satisfaction that Mr. Du, having had the benefit of Ms. So's assistance for three years, would have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules and there is no need to further apply for a waiver. Further information on the qualifications and experience of Mr. Du and Ms. So is disclosed in the section headed "Directors and Senior Management".

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Lau Kam Yiu (劉錦耀)	Flat 9, 11/F Oi Kan House Tsz Oi Court Tsz Wan Shan Kowloon Hong Kong	Chinese
Mr. Ng Bo Sing (伍寶星)	Flat G, 5/F Block 24, City One Shatin 1 Cheung Shing Street Sha Tin Hong Kong	Chinese
Mr. Chan Wai Bun (陳偉彬)	Flat G, 2/F Yee Hoi Mansion (T11) Lei King Wan 33 Tai Hong Street Sai Wan Ho Hong Kong	Chinese
Ms. Low Wei Mun (劉慧文)	House 6, Bayview Villa 21B, Tso Wo Hang Sai Kung New Territories Hong Kong	Malaysian
<i>Independent non-executive Directors</i>		
Ms. Cheung Siu Wan (張少雲)	Room 720, Siu Keung House Siu Kwai Court Tuen Mun Hong Kong	Chinese
Mr. Yu Longjun (余龍軍)	502, No. 12 Lane 50, Youqing Road Minhang District Shanghai PRC	Chinese
Dr. Cheung Wah Keung (張華強)	Flat H, 9/F Lotus Mansion, Taikoo Shing 6 Taikoo Wan Road Hong Kong	Chinese

For further information regarding our Directors, please refer to the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

**Dongxing Securities (Hong Kong)
Company Limited**
Room 6805-6806A, 68/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Sole Financial Adviser

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central, Hong Kong

Joint Global Coordinators

**Dongxing Securities (Hong Kong)
Company Limited**
Room 6805-6806A, 68/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central, Hong Kong

**Haitong International Securities
Company Limited**
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Joint Bookrunners

**Dongxing Securities (Hong Kong)
Company Limited**
Room 6805-6806A, 68/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central
Hong Kong

**Haitong International Securities
Company Limited**

22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

**China Galaxy International Securities
(Hong Kong) Co., Limited**

20/F, Wing On Centre
111 Connaught Road Central
Sheung Wan
Hong Kong

ABCI Capital Limited

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

China Everbright Securities (HK) Limited

24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

**China Investment Securities International
Brokerage Limited**

Unit Nos. 7701A & 05B-08
Level 77, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers

Dongxing Securities (Hong Kong)

Company Limited

Room 6805-6806A, 68/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central
Hong Kong

Haitong International Securities

Company Limited

22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

ABCI Securities Company Limited

10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited

20/F, Wing On Centre
111 Connaught Road Central
Sheung Wan
Hong Kong

China Everbright Securities (HK) Limited

24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

China Investment Securities International Brokerage Limited

Unit Nos. 7701A & 05B-08
Level 77, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**North Beta International
Securities Limited**
18/F, Lee Garden Six
111 Leighton Road
Causeway Bay
Hong Kong

First Shanghai Securities Limited
19/F, Wing On House
71 Des Voeux Road Central
Hong Kong

Forwin Securities Group Limited
Unit B, 32/F, Tower One, Lippo Centre
89 Queensway
Admiralty
Hong Kong

Legal advisors to our Company

As to Hong Kong law:

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC law:

Jingtian & Gongcheng
45/F, K. Wah Centre
1010 Huaihai Road(M)
Xuhui District
Shanghai
PRC

As to Cayman Islands:

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

As to British Virgin Islands laws:

Conyers Dill & Pearman
29th Floor
One Exchange Square
8 Connaught Place
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal advisors to the Sole Sponsor and
the Underwriters**

As to Hong Kong law:

Howse Williams
27/F Alexandra House
18 Chater Road
Central
Hong Kong

As to PRC law:

Fangda Partners
24/F, HKRI Centre Two
HKRI Taikoo Hui
288 Shi Men Yi Road
Shanghai 200041
PRC

Auditors and reporting accountants

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

Industry consultant

**China Insights Industry Consultancy
Limited**
10/F, Tomorrow Square
399 West Nanjing Road
Huangpu District
Shanghai
PRC

Compliance adviser

**Dongxing Securities (Hong Kong)
Company Limited**
Room 6805-6806A, 68/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Receiving bank

**Bank of China (Hong Kong)
Limited**
Bank of China Tower
1 Garden Road
Central
Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and place of business in the PRC	8/F, No. 399A Liu Zhou Road Xu Hui District Shanghai PRC
Place of business in Hong Kong registered under Part 16 of the Companies Ordinance	11/F, Gold Union Commercial Building No. 70-72 Connaught Road West Hong Kong
Company website	<u>www.activation-gp.com</u> <i>(information on the website does not form part of this prospectus)</i>
Joint company secretaries	Mr. Du Xiaozhou (杜曉舟) Room 702, Block 2 Jianglin Tianxia Community Lane 233, Puming Road Pudong New Area Shanghai PRC Ms. So Shuk Yi Betty (蘇淑儀) 40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong <i>(an associate of The Hong Kong Institute of Chartered Secretaries and an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom)</i>

CORPORATE INFORMATION

Authorised representatives (for the purpose of the Listing Rules)	Mr. Ng Bo Sing (伍寶星) Flat G, 5/F Block 24, City One Shatin 1 Cheung Shing Street Sha Tin Hong Kong
	Ms. So Shuk Yi Betty (蘇淑儀) 40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong
	<i>Alternate to the authorised representatives</i> Mr. Lau Kam Yiu (劉錦耀) Flat 9, 11/F Oi Kan House Tsz Oi Court Tsz Wan Shan Kowloon Hong Kong
Authorised representatives (for the purpose of the Companies Ordinance)	Ms. So Shuk Yi Betty (蘇淑儀) 40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong
Audit committee	Ms. Cheung Siu Wan (張少雲) (<i>Chairlady</i>) Mr. Yu Longjun (余龍軍) Dr. Cheung Wah Keung (張華強)
Remuneration committee	Ms. Cheung Siu Wan (張少雲) (<i>Chairlady</i>) Mr. Lau Kam Yiu (劉錦耀) Mr. Yu Longjun (余龍軍)
Nomination committee	Mr. Lau Kam Yiu (劉錦耀) (<i>Chairman</i>) Mr. Yu Longjun (余龍軍) Dr. Cheung Wah Keung (張華強)
Corporate Governance Committee	Mr. Ng Bo Sing (伍寶星) (<i>Chairman</i>) Ms. Cheung Siu Wan (張少雲) Dr. Cheung Wah Keung (張華強)

CORPORATE INFORMATION

IP development committee

Mr. Lau Kam Yiu (劉錦耀) (*Chairman*)
Mr. Ng Bo Sing (伍寶星)
Mr. Yu Longjun (余龍軍)

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal share registrar and transfer office

Conyers Trust Company (Cayman) Limited

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal bankers

Bank of China

Shanghai Jianguo West Road Branch

No. 596 Jianguo West Road
Xuhui District
Shanghai
PRC

Hong Kong and Shanghai Banking Corporation Limited

1 Queen's Road Central
Hong Kong

INDUSTRY OVERVIEW

The information presented in this and other sections of this prospectus, including certain facts, statistics, and data, is extracted from the CIC Report as issued by CIC, which was commissioned by us and based on various official government publications and other publicly available sources, unless otherwise indicated. We believe that the sources of such information are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information and statistics included herein have not been independently verified by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, or representatives, or any other person involved in the Global Offering, and no representation is given as to its accuracy, completeness, or fairness of such information. Accordingly, such information should not be unduly relied upon.

SOURCE OF INFORMATION

We commissioned CIC, a market research and consulting company founded in Hong Kong and engaging in the provision of professional consulting services across multiple industries, to conduct an analysis of and report on the integrated marketing solution services market in Greater China. The CIC Report was prepared by CIC independent of our influence. The fees paid for the preparation of the CIC Report was RMB500,000, which we believe reflects the market rate for such reports.

The information and data collected by CIC have been analysed, assessed, and validated using CIC's in-house analysis models and techniques. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analysing market data obtained from several publicly available data sources, such as the International Monetary Fund and the National Bureau of Statistics of China. The methodology used by CIC is based on analysing information gathered from multiple levels and ensures that this information is cross-referenced for reliability and accuracy.

The CIC Report contains a variety of market projections which were produced with the following key assumptions: (i) the overall social, economic, and political environment in Greater China market (Greater China include mainland China, Hong Kong and Macau) is expected to remain stable during the forecast period; (ii) related key industry drivers are likely to propel continued growth of Greater China's integrated marketing solution services market including prosperous development of major downstream markets, increasing demand for diversified marketing services for corporations to enhance competitive strengths, and increasing demand for creative marketing services to enhance brand awareness, etc.; and (iii) there is no extreme force majeure or unforeseen industry regulations in which the market may be affected in either a dramatic or fundamental way. CIC believes that the assumptions used in preparing the CIC Report, including those used to make future projections, are factual, correct, and not misleading. The reliability of the CIC Report may be affected by the accuracy of the foregoing assumption and factors as well as the choice of primary and secondary sources.

Our Directors confirm that after taking reasonable enquiries, there had been no material adverse change in the market information since the date of the CIC Report which may qualify, contradict, or have an impact on the information set out in this section.

Except otherwise mentioned, all data and forecasts contained in this section are extracted from the CIC Report.

INDUSTRY OVERVIEW

ANALYSIS OF INTEGRATED MARKETING SOLUTION SERVICES MARKET IN GREATER CHINA

Overview of the marketing solutions services market

Marketing solutions services refer to a series of promotional methods and activities, such as advertising and events that aim to establish a brand image, enhance brand awareness, and attract new clients. Based on service types, the marketing solutions services market in Greater China can be categorised into:



(1) **Experiential marketing services:** refer to marketing activities that brand advertisers use special events such as shows, parties, launch events, exhibitions, etc. to promote a product and/or service leveraging in-person engagement.



(2) **Public relations services:** refer to marketing activities that help brand advertisers to develop communication plan to enhance brand understanding and loyalty among the target consumers. Services include media relations, copy-writing, celebrity and KOL management, events and conference management etc.



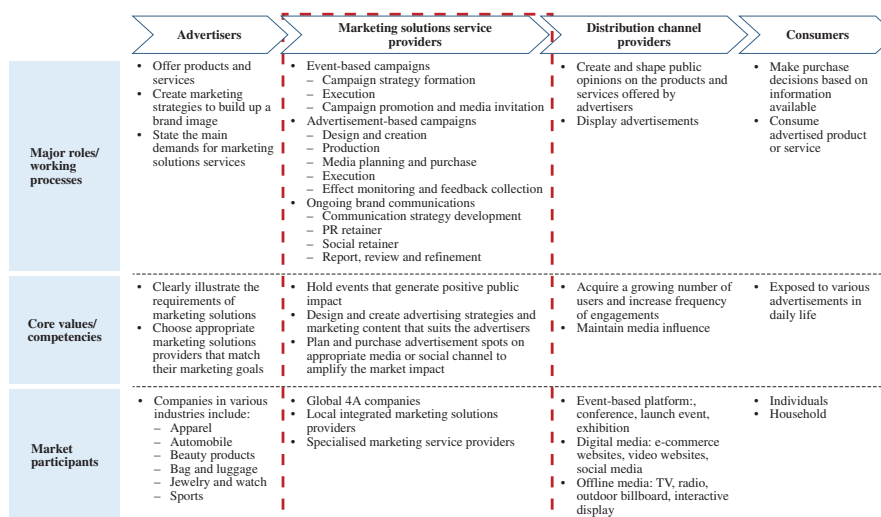
(3) **Digital marketing services:** refer to marketing activities that use digital technology to create strong influence in digital space via social platforms on the Internet, mobile phones and any other digital medium.



(4) **Common marketing services:** refer to marketing activities that aim to help brand advertisers establish and enhance their brand image as well as promote their products via common marketing channels, such as newspaper, magazine, TV, etc.

Value chain of the marketing solutions services market

The graph below presents the value chain of the marketing solutions services market in Greater China:



Source: CIC

Marketing solutions providers are responsible for the design and creation of marketing strategies and marketing content that suits the advertisers, planning and purchasing advertisement spots on appropriate media channels, and holding events that generate positive public impact.

Based on the service provision, marketing solutions service providers can be categorised into 1) integrated marketing solutions providers, and 2) specialised marketing solutions providers. Integrated marketing solutions service providers offer a full range of marketing

INDUSTRY OVERVIEW

services usually integrate various types of promotion channels. In comparison, specialised marketing solutions service providers focus on certain types of marketing services, and major service providers include creative agencies, media buying agencies, public relations agencies, production house, etc.

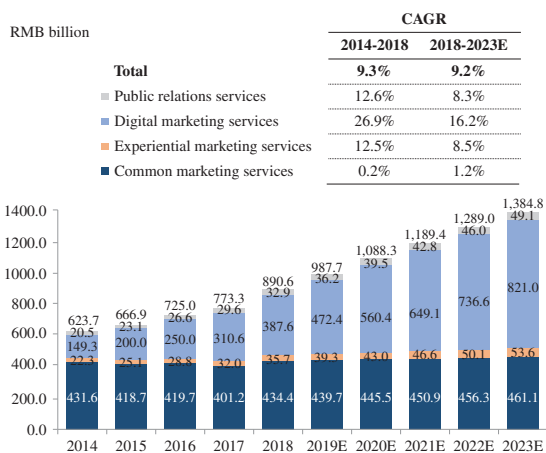
Market size of marketing solutions services market in Greater China by service type

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

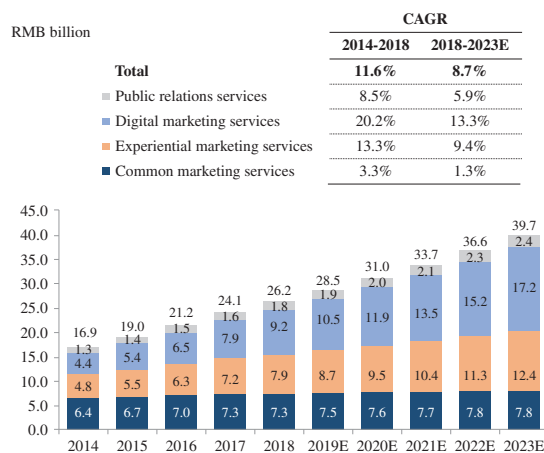
The marketing expenditures on marketing solutions services market for premium and luxury brands in Greater China increased from RMB16.9 billion in 2014 to RMB26.2 billion in 2018, representing a CAGR of 11.6%. It is expected that the total marketing expenditures on marketing solution services for premium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

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

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



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



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





ANALYSIS OF EXPERIENTIAL MARKETING SERVICES MARKET IN GREATER CHINA

Overview of experiential marketing services market

Experiential marketing services refers to marketing activities that brand advertisers use special events such as shows, parties, launch events, exhibitions, etc. to promote a product and/or service leveraging in-person engagement. Based on the brand position of clients in their downstream industry, the experiential marketing services market can be classified into the services for premium and luxury brands and services for mass brands.

The major clients of the experiential marketing services providers in the premium and luxury brands segment can be categorised into the following industries: automobile, apparel, footwear, handbag & luggage, watches & jewelry, and beauty.

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-  (1) In the automobile industry, automobiles under premium and luxury brands are featured with higher quality, sophisticated design and outstanding travel experiences, and the price of typical vehicle is above RMB300,000.
-  (2) In the apparel, the footwear and the handbag & luggage industry, premium and luxury brands are all international brands that have unique brand identity, decades of brand history, and a distinctive brand concept. Products under premium and luxury brands perform better in terms of quality, aesthetics, rarity, symbolism, while is charged at a much higher price than those under the mass brands.
-  (3) In the beauty industry, products under premium and luxury brands are characterised with premium formulations, higher quality ingredients, more pigment, and more costly technologies in the creation of products.
-  (4) In the watches & jewelry industry, products under premium and luxury brands are sophisticated craftsmanship by experienced artisan watchmakers, and therefore have higher performance and impeccable aesthetics, with the use of high-quality raw materials such as stainless steel, titanium, gold, etc.

In comparison, mass brands in those industries are targeted to mass consumers with a more affordable price.

Market size of experiential marketing services for premium and luxury brands in Greater China

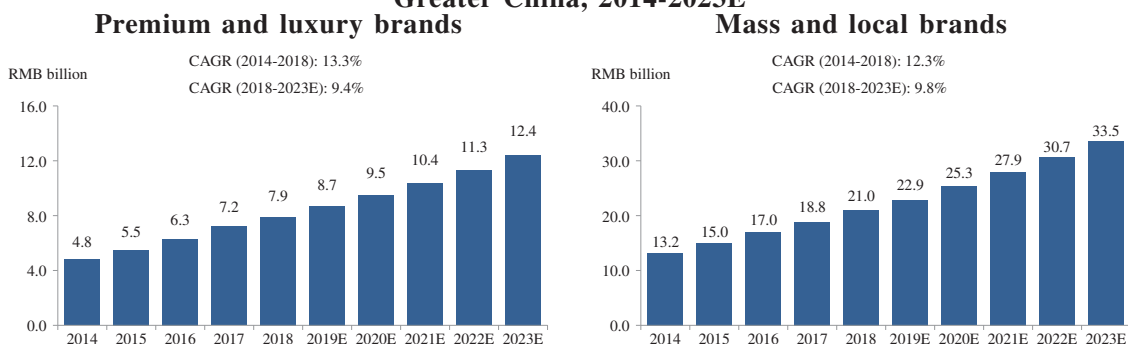
The following experiential marketing services market is defined in the above categorized industries. Therefore, the market size of experiential marketing services for premium and luxury brands and the market size of experiential marketing services for mass and local brands are calculated by the marketing expenditures of brand advertisers in the above categorized industries.

The total marketing expenditures on experiential marketing services for premium and luxury brands in Greater China increased from RMB4.8 billion in 2014 to RMB7.9 billion in 2018, representing a CAGR of 13.3%. In view of the continual increase in marketing expenditures in Greater China, and an increasing demand for experiential marketing services by premium and luxury brands advertisers, the marketing expenditures of experiential marketing services for premium and luxury brands are expected to continue expanding, reaching approximately RMB12.4 billion by 2023, representing a CAGR of 9.4% between 2018 and 2023.

The marketing expenditures on experiential marketing services for mass and local brands increased from RMB13.2 billion in 2014 to RMB21.0 billion in 2018, representing a CAGR of 12.3%. Given that mass brands advertisers are placing greater emphasis on experiential marketing services to enhance their brand reputation, it is expected that the marketing expenditures on experiential marketing services for mass and local brands will continue growing to reach RMB33.5 billion by 2023, representing a CAGR of 9.8% between 2018 and 2023.

The following two charts illustrate the market size of experiential marketing services for premium and luxury brands and the marketing expenditures of experiential marketing services for mass and local brands in terms of marketing expenditures in Greater China from 2014 to 2023, respectively:

Market size of experiential marketing services in terms of marketing expenditure, Greater China, 2014-2023E



Source: China International Public Relations Association, CIC

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Market drivers of experiential marketing services for premium and luxury brands in Greater China

(1) Increasing of high net income and mass affluent population in the PRC

High net income and mass affluent population refer to individuals with investable assets over RMB6 million and between RMB0.6 million and RMB6 million respectively. The PRC's high net income and mass affluent population experienced steady growth between 2014 and 2018, increasing from 20.5 million persons to 36.3 million persons with a CAGR of 15.4%. Due to the continuous increase in household disposal income, the population of high net income and mass affluent is expected to reach 63.4 million persons by 2023. The purchasing power of high net income and mass affluent population, as measured by investable assets, grew at CAGRs of 21.3% and 20.4% between 2014 and 2018, with the annual real GDP growth rates remaining between 6.6% and 7.3% during the same period. The investable assets of high net income and mass affluent population are expected to continue growing from RMB78.7 trillion in 2018 to RMB131.7 trillion in 2023, and RMB46.5 trillion in 2018 to RMB82.4 trillion in 2023, representing CAGRs of 10.8% and 12.1% between 2018 and 2023, respectively; while the annual real GDP growth rates are expected to remain between 5.6% and 6.1%. The expansion of the population with more investment assets will therefore promote the growth of the premium and luxury goods market in the PRC. As high net income and mass affluent population are the major customer groups for high-end and premium brands, and their luxury spending habits and high purchasing power would not be easily influenced by the economic environment in the PRC, the sales revenue of the premium and luxury goods market in the PRC is expected to continue expanding in the following years. Sales revenues of premium and luxury brands (in the apparel, footwear, handbags and luggage, watches and jewelry, and beauty industries) in Greater China increased from RMB190.5 billion in 2014 to RMB278.5 billion in 2018 and is expected to grow at a CAGR of 9.7% between 2018 and 2023, reaching RMB442.5 billion in 2023. Sales revenue of several leading luxury brands in Asia (excluding Japan) in the first half of 2019 recorded double-digit growth compared to sales revenue in the same period in 2018, and the revenue growth in Asia (excluding Japan) is higher than the global revenue growth. The high growth momentum in Asia was mainly driven by the solid and outstanding performance in the PRC. The strong sales revenue growth generated by these leading luxury brands indicated that customers of the PRC's luxury industry still have high purchasing power, even under the gradual slowing of Chinese economy growth. The future growth of the premium and luxury goods market will require more experiential marketing services to promote their brands.

(2) Rapid development of the luxury vehicle market encouraging luxury brand companies to use experiential marketing services

The sales revenues of total passenger vehicles in Greater China experienced a steady increase, rising from RMB3,163.3 billion in 2014 to RMB4,248.7 billion in 2018, representing a CAGR of 7.7%. Among them, market of luxury vehicles experienced a higher growth rate with a CAGR of 16.6% between 2014 and 2018. Due to the decline of the vehicle importing tariff, the popularity of the auto finance market, the overlying of vehicle replacement and consumption upgrades, and the emergence of a new wealth class, the luxury vehicle market has been developing rapidly, which will attract more luxury brand companies to employ experiential marketing services as one of their essential marketing service solutions.

(3) Contribution of beauty products awareness to the growth of the beauty product market

The market of beauty products, including beauty and personal care products, along with fragrance items, has undergone steady growth between 2014 and 2018, increasing from RMB320.5 billion to RMB432.6 billion with a CAGR of 7.8% in terms of sales revenues. Due to the greater awareness of personal care by consumers, the market is projected to continue to grow with a CAGR of 7.3%. The increasing demand for beauty products, especially premium and luxury brands, will stimulate the development of experiential marketing services.

OVERVIEW OF EXPERIENTIAL MARKETING SERVICES MARKET FOR LUXURY BRANDS IN EUROPE

The experiential marketing services for luxury brands in Europe include displays of latest collections of luxury brands in the fashion weeks in the formats of fashion shows and exhibitions, and other activities such as store openings and product launches. The market size of experiential marketing services for luxury brands in Europe, in terms of marketing

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expenditures, grew steadily from EUR0.5 billion in 2014 to EUR0.8 billion in 2018 with the CAGR of 12.5% between 2014 and 2018. With the continued willingness for luxury brands to increase expenditures about experiential marketing services to stand out in the fierce competition, it is projected that the marketing expenditures of experiential marketing services will increase to EUR1.0 billion by 2023, representing a CAGR of 4.6%.

COMPETITIVE LANDSCAPE OF THE EXPERIENTIAL MARKETING SERVICE FOR PREMIUM AND LUXURY BRANDS MARKET IN GREATER CHINA

In terms of the scale of experiential marketing services, experiential marketing services from premium and luxury brands consists of large-scale experiential marketing services, such as fashion show, new product launch events and etc. and small-scale experiential marketing services, such as pop-up events, live streaming events and etc. Large scale experiential marketing services from premium and luxury brands in Greater China only can be conducted by the leading participants, due to their experiences, strong management capabilities, final delivery of high-quality and effective marketing solution services, and better control of production details during project execution. As there are approximately 10 players, the market of large-scale experiential marketing services from premium and luxury brands in the Greater China is relatively concentrated. In contrast to large scale experiential marketing services, the execution of small-to-medium scale experiential marketing services from premium and luxury brands can be conducted by hundreds of small-to-medium sized market participants in Greater China, considering the lower quality standards of the events execution and simple execution process. Hence, the market of small-to-medium scale experiential marketing services from premium and luxury brands in Greater China is fragmented.

The leading five market participants accounting for a share of approximately 19.0% in terms of revenue in the experiential marketing service for premium and luxury brands market in Greater China in 2018. The annual activities of high-end and premium branded companies consist of both small-scaled experiential marketing events, such as pop-up events, live streaming events and etc., and large-scale experiential marketing events, such as fashion shows, new product launch events and etc. Large-scale experiential marketing events are more essential with much higher budget, and these activities are normally conducted by leading market participants, as they have strong management capabilities, ability to deliver high-quality and effective marketing solution services, and ability to better control production details during project execution. Small-scale experiential marketing events could be conducted by hundreds of small-to-medium-sized market participants, considering the simpler execution process.

Our Group is a leading and fast growing integrated marketing solutions provider who ranked first in the experiential marketing service for premium and luxury brands market in Greater China, with a revenue of RMB0.5 billion in 2018, accounting for a share of approximately 6.3%.

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The table below outlines the leading market participants in the experiential marketing services for premium and luxury brands market in Greater China in 2018 in terms of revenues:

Ranking	Company	Major business activation	Revenue (RMB billion)	Market share
1	Our Group	<ul style="list-style-type: none"> • fashion shows • product launches • grand opening ceremonies • exhibition 	0.50	6.3%
2	Company A	<ul style="list-style-type: none"> • gala dinner • grand opening ceremony • product launches • fashion shows • exhibitions • road shows 	0.35	4.4%
3	Company B	<ul style="list-style-type: none"> • corporate conferences • fashion shows • product launches • exhibitions 	0.30	3.8%
4	Company C	<ul style="list-style-type: none"> • grand opening ceremonies • product launches • brand celebration events • award ceremonies • conference exhibitions and road shows 	0.25	3.2%
5	Company D	<ul style="list-style-type: none"> • beauty brands pop-up stores • press events • product launches • charity dinner 	0.10	1.3%
	Sub-total		1.5	19.0%

Note: Revenue of each company refers to its revenue derived from experiential marketing services for premium and luxury brands in the automobile, apparel, footwear, handbags & luggage, watches & jewellery, and beauty industries.

Source: CIC

Entry barriers of the experiential marketing services for premium and luxury brands market in Greater China

(1) Reputation and track record

Most premium and luxury brands advertisers often rely on experienced marketing solutions services providers whom they have collaborated with in the past, due to a proven track record in completing high-end projects with flawless works. This proven track record not only demonstrates the company's deep understanding of the initial brand concept and well-managed relationship with these premium and luxury brands, but also enables the execution of new projects more smoothly. Given the fact that such track record take years to accumulate, it creates an obstacle for new entrants.

(2) Capability of acquiring and integrating business resources

The capacity to acquire and integrate sufficient business resources are essential for the operation of project in the experiential marketing services for premium and luxury brands market. For larger scale marketing projects which cover a wide scope of services including media reporting, security, transportation, catering, decoration, material procurement, general assistants and etc., new entrants including other companies that begin to provide experiential marketing services will find it difficult to engage numerous parties to handle different aspects of services due to the complexity and costliness.

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(3) Experienced talents

The marketing solutions services industry is a talent-intensive industry, with a number of experienced talents required for the execution of projects. Existing market participants with in-depth industry experience and expertise are able to provide high-quality services for each project and manage multi-projects effectively and efficiently. Since industry experience requires a great amount of time and effort to accumulate, it remains a barrier for new market participants who wish to enter the market.

ANALYSIS OF THE DIGITAL MARKETING SERVICES MARKET IN GREATER CHINA

Overview of the digital marketing services market

Digital advertising media provides advertisers with a tool to target and interact with specific target audience so as to deliver advertising information in a more effective and customised manner. The types of services offered by digital marketing services providers include e-commerce marketing, search engine marketing, social media marketing, video marketing, and feed marketing, etc.

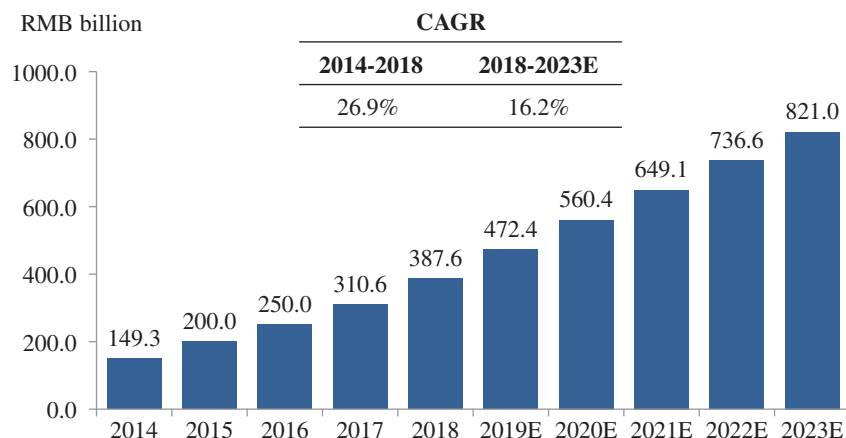
Among the digital marketing services, KOLs and social media platforms play important roles by virtue of their unique advantages. KOLs, who have certain authority and achieve trust among the specific groups of people, can reach potential consumers more accurately relying on their social influence. Social media platforms, as an important source of information acquisition for consumers, can provide various information and then spread through different networks, thus attracting more consumers in a quick way.

Market size of digital marketing services in Greater China

The marketing expenditures of the digital marketing services in Greater China increased significantly from RMB149.3 billion in 2014 to RMB387.6 billion in 2018, representing a CAGR of 26.9%. With the continuous advancement of mobile devices and applications, online advertising has become the most effective channel for reaching a quality audience. Hence, the market is expected to increase at a CAGR of 16.2% in the following five years.

The chart below illustrates the marketing expenditures of the digital marketing solution services in Greater China from 2014 to 2023:

Marketing expenditures of the digital marketing solutions services, Greater China, 2014-2023E



Source: China International Public Relations Association, CIC

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Market drivers of the digital marketing solutions services market in Greater China

(1) A wider usage of smartphones and development of communication technology

The number of internet users in Greater China increased from 661.0 million in 2014 to 838.7 million in 2018. During the period between 2015 and 2018, the penetration rate of smartphones as a share of the population in mainland China increased from 43.0% to 50.0%, while that in Hong Kong increased from 70.0% to 76.0%. A wider application of internet and smartphones demonstrates a shift in attention from common media to online media. As consumers spend more time on mobile devices and gain growing access to digital media, the digital marketing solutions services market is estimated to continue growing in the near future.

(2) Changing consumption patterns in prosperous industries

The increasing use of mobile devices has brought significant changes to people's consumption habits. Nowadays, the daily activities of consumers such as communicating, commuting, dining, health, shopping, and entertaining, have been associated with various mobile Apps, which cumulatively create a mobile internet eco-system that caters to a variety of consumer needs. Digital advertising that displays advertisements via various mobile Apps is expected to have a growing role of shaping brand image, conveying product information, and stimulating purchases of modern consumers.

(3) Development of advanced technology

The application of Big Data and the Internet of Things (IoT) facilitates many aspects of digital marketing solutions, such as new market exploration, market positioning, integrated marketing solutions, programmatic advertising purchase, performance evaluation, and customer relationship management, which increases the precision of targeting specific audience and creates a more immersive and interactive experience. Technological advancement of Big Data and IoT is expected to further benefit the digital marketing solutions services industry.

Competitive landscape of the digital marketing solutions services market in Greater China

The digital marketing solution services market in Greater China is highly fragmented. The top 5 companies generated a total revenue of RMB49.7 billion in 2018, accounting for a total market share of approximately 12.8%. In 2018, our Group's digital marketing solution business in Greater China generated total revenues of RMB108.2 million, accounting for a share of approximately 0.03% of Greater China's digital marketing solution services market.

The fee for online advertising space in Greater China and Hong Kong can be measured by Cost per Click (CPC) and Cost per Mille (CPM). CPC refers to a pricing model where advertising is paid on the basis of each click of the advertisement. The average CPC in Hong Kong is HK\$2.0-HK\$2.3 and the average CPC is HK\$1.4-HK\$1.7 in the PRC. CPM is a non-performance-based pricing model where advertising is paid on the basis of thousand impressions. The average CPM in Hong Kong is HK\$20-HK\$50 and the average CPM is HK\$15-HK\$40 in the PRC.

OVERVIEW OF DIGITAL MARKETING SERVICES MARKET FOR PREMIUM AND LUXURY BRANDS IN GREATER CHINA

Market size of digital marketing services for premium and luxury brands in Greater China

The marketing expenditures on digital marketing services for premium and luxury brands increased from RMB4.4 billion in 2014 to RMB9.2 billion in 2018, representing a CAGR of 20.2%. Due to the growing popularity of the digital marketing services among the premium and luxury brands to reach potential customers in a more accurate way, it is expected that the marketing expenditures on digital marketing services for premium and luxury brands will increase at a CAGR of 13.3% to reach RMB17.2 billion by 2023.

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Competitive landscape of digital marketing services for premium and luxury brands in Greater China

The digital marketing services for premium and luxury brands market in Greater China is highly fragmented, with the leading five market participants accounting for a share of approximately 4.6% in terms of revenue in 2018. In 2018, our Group's digital marketing services for premium and luxury brands in Greater China generated a revenue of RMB25.0 million, accounting for a share of approximately 0.3% of the digital marketing services market for premium and luxury brands.

The table below outlines the leading market participants in the digital marketing services for premium and luxury brands market in Greater China in 2018 in terms of revenue:

Ranking	Company	Major business activation	Revenue (RMB million)	Market share
1	Company E	<ul style="list-style-type: none"> • Digital brand building • Social media marketing • Digital campaign • KOL cooperation 	130.0	1.4%
2	Company F	<ul style="list-style-type: none"> • Digital advertising design • Social content creation • Digital campaign • KOL cooperation 	100.0	1.1%
3	Company G	<ul style="list-style-type: none"> • Social content management and marketing • Digital campaign • KOL cooperation 	80.0	0.9%
4	Company H	<ul style="list-style-type: none"> • Advertisement placement • Social content management and marketing 	60.0	0.7%
5	Company I	<ul style="list-style-type: none"> • Digital brand design and integration • Digital campaign 	50.0	0.5%
	Sub-total		420.0	4.6%
	Other participants		8,764.8	95.4%
	Total		9,184.8	100.0%

Note: Revenue of each company refers to its revenue derived from digital marketing services for premium and luxury brands only.

Source: CIC

OVERVIEW OF PUBLIC RELATIONS MARKET FOR PREMIUM AND LUXURY BRANDS IN GREATER CHINA

Market size of public relations for premium and luxury brands in Greater China

The marketing expenditures on public relations for premium and luxury brands increased from RMB1.3 billion in 2014 to RMB1.8 billion in 2018, representing a CAGR of 8.5%. Driven by an increasing number of social media platforms and service formats, it is expected that the marketing expenditures on public relations for premium and luxury brands will increase at a CAGR of 5.9% to reach RMB2.4 billion by 2023.

INDUSTRY OVERVIEW

Competitive landscape of public relations for premium and luxury brands in Greater China

The public relations for premium and luxury brands market in Greater China is highly fragmented, with the leading five market participants accounting for a share of approximately 11.2% in terms of revenue in 2018. In 2018, our Group's public relations for premium and luxury brands in Greater China generated a revenue of RMB10.0 million, accounting for a share of approximately 0.6% of the digital marketing services market for premium and luxury brands.

The table below outlines the leading market participants in the public relations for premium and luxury brands market in Greater China in 2018 in terms of revenue:

Ranking	Company	Major business activation	Revenue (RMB million)	Market share
1	Company J	<ul style="list-style-type: none"> • Media relations • Copywriting • Celebrity and KOL management • Events and conference management 	50.0	2.8%
2	Company K	<ul style="list-style-type: none"> • Media relations • Celebrity and KOL management • Events management 	45.0	2.5%
3	Company L	<ul style="list-style-type: none"> • Celebrity and KOL management • Events management 	40.0	2.2%
4	Company M	<ul style="list-style-type: none"> • Media relations • Copywriting • Celebrity and KOL invitation • Events management 	35.0	2.0%
5	Company N	<ul style="list-style-type: none"> • Media relations • Copywriting • Celebrity and KOL management 	30.0	1.7%
	Sub-total		200.0	11.2%
	Other participants		1,583.0	88.8%
	Total		1,783.0	100.0%

Note: Revenue of each company refers to its revenue derived from public relations services for premium and luxury brands only.

Source: CIC

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MARKET DRIVERS, FUTURE TRENDS, AND CHALLENGES OF THE MARKETING SOLUTIONS SERVICES MARKET IN GREATER CHINA

Market drivers of the marketing solutions services market in Greater China

(1) Prosperous development of major downstream markets

Major downstream markets in Greater China are under rapid development, including the consumer goods industry, automobile industry, and sports industry. The domestic consumer goods market has been boosted due to expanding demand, which suggests high growth potential for consumer products of high quality, with trendy designs, and a unique brand concept. The automobile industry has entered into a period where traditional automobiles are being increasingly replaced by new energy vehicles. With the vigorous promotion of a healthy lifestyle and fitness, the pursuit of health will expand the entire sports industry. The development of these markets will propel the expansion of the marketing solution services market.

(2) Increasing demand for diversified marketing services for corporations to enhance competitive strengths

With technological advances, different types of marketing solutions services have been gradually developing with the aim of improving effectiveness and efficiency and reaching a wider range of potential consumers. In addition, increasingly fiercer competition and more sophisticated consumers compel corporations to understand the importance of marketing solution services for brand and corporate identity building. Therefore, the increasing demand for diversified marketing solution services and the adoption of integrated marketing solutions could propel the development of the marketing solutions services market.

(3) Increasing demand for creative marketing services to enhance brand awareness

Ultimate consumers nowadays are no longer captive, remotely controlled, and are no longer satisfied with dull and unoriginal advertising content. In order to create a local popularity and stand out in their markets, an increasing number of service providers have sought to utilise creative and interactive marketing services, such as experience-based marketing services, ensuring that the envisaged marketing solutions excel the required standard, hence enhancing brand awareness. Meanwhile, marketing with entertaining and customized content enables companies to better connect and communicate with target clients who are exposed to unlimited information and marketing services. Therefore, the increasing demand for creative marketing services to enhance brand awareness has been an essential driving force.

(4) The deployment of 5G encourages the marketing solution services market to evolve

With the growing implementation of fifth-generation mobile network (5G) in the near future, faster networks, better device connectivity and lower latency will benefit future marketing campaigns. Advertising content will no longer be limited by content size, resolution and download speed, and service providers can deliver advertising content and engage ultimate clients in a more flexible and creative format, regardless of time and location. In this context,

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the marketing solution services market is evolving, with advertising on common marketing tools such as printing formats and traditional media are facing challenge while the digital marketing services are growing exponentially. The deployment of 5G is expected to bring tremendous business opportunities to the marketing solution services market in Greater China, and existing market players with strong digital capability can leverage their first-mover advantage to create brand equity, avoid competition and make profits.

Future trends of marketing solution services market in Greater China

(1) Increasing application of immersive technology to serve clients in a more efficient way

Marketers will have higher requirements for marketing solution services in the future. Marketing solution services providers are seeking creative ways such as the application of AR (Augmented Reality generates users an interactive experience of real-world environment by the use of digital technology) and VR (Virtual Reality projects users into a 3D space enabled by computer technology) to enhance the interaction with users and help fuel effective, immersive marketing and to guarantee the quality of the experiential marketing events. Companies that provide marketing solutions with immersive technology will have more bargaining power and are able to serve clients more effectively since creative design, channel expansion and management can directly generate revenue.

(2) Evolving trend of marketing services moving from offline to a combination of both online and offline platforms

By taking advantage of new technology, the effective combination of online and offline platforms will be a future trend for the marketing solution services market. By utilizing this combination as a market strategy, brands will no longer only use a store as a retail space, but will extend their presence online, creating more possibilities for their brands and products. Online traffic and data analysis can provide more customized support and promote offline activities, while offline events allow for an interactive experience, knowledge sharing and brand culture learning, which thus promotes more online traffic.

(3) Targeting clients expanding to mass brands

It is noted in the market that non-luxury or FMCG (Fast Moving Consumer Goods refer to products that people usually buy on a regular basis) brands are relatively short on spending on experiential marketing and therefore without fully realizing the value of it. It is highly likely that these companies will also seek to utilize this avenue in their own marketing strategies. Brands across Greater China are now turning to experiential marketing as a method of countering this problem while also providing high-end experiences to distinguish their company in a large market. The success of luxury brands in this regards encourages mass brands to follow suit. Thus, experiential marketing is no longer a niche strategy of luxury brands and is in the process of potentially becoming the market norm.

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Challenges and threats for the marketing solution services market in Greater China

(1) Cost pressure from growing compensation for labor force

The marketing solution services industry requires a high degree of labor-intensive input. The growth of the average salary in this industry creates an increasing burden for market participants. Meanwhile, given the fact that the core competency of marketing agencies lies in the creativity of marketing solution services, recruiting a skilled, creative, and knowledgeable workforce is essential for market participants.

Labor cost analysis in the marketing solution services market in Greater China

The cost structure of the marketing solution services market has remained stable over the past five years considering the market's asset-light business model. Labor costs, which include salaries and bonuses, comprise the largest cost items for the marketing solution services providers in Greater China.

In the PRC, the average annual salary of employees in the marketing solution services market increased gradually from RMB64,400 in 2014 to RMB98,600 in 2018, representing a CAGR of 11.2%, and is expected to continue increasing to reach RMB153,600 by 2023. In Hong Kong, the average annual salary of employees in the market increased from HKD285,500 in 2014 to HKD305,000 in 2018, representing a CAGR of 1.7%, and is forecasted to increase at a CAGR of 0.9% from 2018 to 2023, reaching HKD319,700 by 2023.

The following two tables present the average annual salary of employees in the marketing solution services market in mainland China and Hong Kong from 2014 to 2023, respectively:

Average annual salary of employees in the marketing solution services market, mainland China, 2014-2023E

	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	CAGR	
											2014-2018	2018-2023E
RMB thousand	64.4	72.8	79.9	87.8	98.6	107.8	117.7	128.6	140.5	153.6	11.2%	9.3%

Note: The average annual salary in the marketing solution services market follows similar fluctuations in terms of the labor costs associated with the whole culture, sport and entertainment market in the PRC.

Source: National Bureau of Statistics of China, CIC

Average annual salary of employees in the marketing solution services market, Hong Kong, 2014-2023E

	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	CAGR	
											2014-2018	2018-2023E
HKD thousand	285.5	285.2	295.2	297.2	305.0	308.1	310.8	313.8	316.7	319.7	1.7%	0.9%

Note: The average annual salary in the marketing solution services market follows similar fluctuation in terms of the labor costs associated with the advertising and market research market in Hong Kong.

Source: Hong Kong Census and Statistics Department, CIC

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(2) Fierce competition within the industry

The marketing solution services industry belongs to a competitive industry in Greater China with low market concentration. Integrated marketing solution services providers of different levels, ranging from global 4A companies, local large-sized marketing services groups, to a large number of small-to-medium-sized enterprises, participate in the industry competition with the full use of their well-developed resources, including strategy and creativity, digital platform technology, and unique media resources. Small service providers are competing in the industry by offering similar services at a much lower price. Therefore, price competition among service providers makes the market landscape much more competitive.

(3) Large capital requirement to meet with short-term cash flow needs

Since some clients in this industry settle their bills after the marketing solution services are completed, market participants have to reserve for cash to meet short-term cash flow needs. It is especially the case when the marketing project involved an offline marketing, which requires input of high capital costs such as labors, venues and equipment to organize the activity. Therefore, the availability of capital reserve for meeting short-term cash flow needs is a major challenge for some small-sized market players in this industry.

ANALYSIS OF THE IP DEVELOPMENT FOR SPORTS MARKET IN GREATER CHINA

Categorisation of IP development for sports market in Greater China

IP development for sports takes on different types, which share the right to operate a quality event with commercial value under the permission of the sports event. The types include sponsorship, broadcasting, ticket sales, and development of related products.

Value chain of IP development for sports market in Greater China

As the core of the sports industry marketing chain, sports IP has become an important traffic portal and consumption scene. Agencies that are granted with IP right of sports events take responsibility for the development and marketing of the events.

Sporting event IP owners, usually organisers of the events with a large mass base and great influence, are in the upstream industry. In the midstream industry, agencies that are granted with IP rights of sporting events take responsibility for the IP development for sports. Given different types of IP development rights, IP development agencies develop and promote sporting events through diversified channels and platforms in the downstream industry. These downstream market players include advertisers, buyers of broadcast rights, ticket houses, merchandise sales platforms, platforms for IP development, etc. A series of IP development for sports ultimately reach sports fans and the mass to allow them to watch and participate in the sporting events in different approaches.

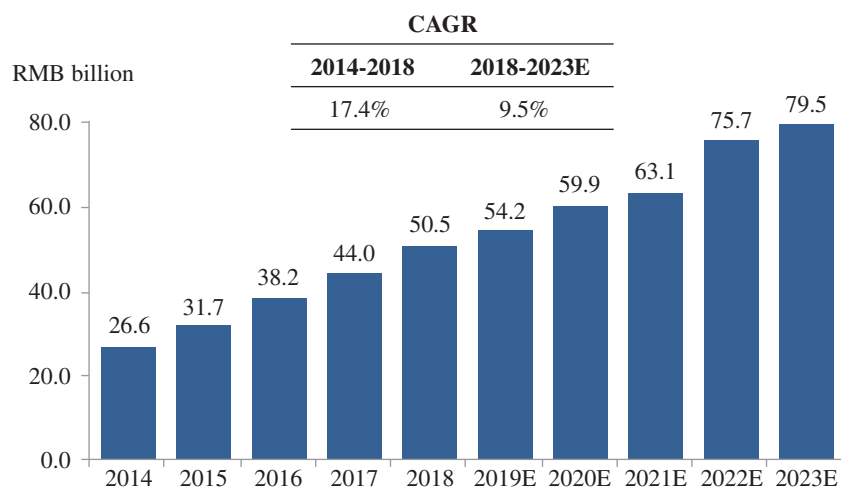
INDUSTRY OVERVIEW

Market size of IP development for sports market in Greater China

The market size of IP development for sports market increased significantly over the past five years. The sales revenue of the IP development for sports market consists of the revenue of sponsorship, revenue of broadcasting, revenue of ticket sales, and revenue of development of related products including physical and invisible merchandise with regard to the core sports event, as well as the relevant sports events. As of 2018, the market size in terms of sales revenues in Greater China reached RMB50.5 billion, up from RMB26.6 billion in 2014, representing a CAGR of 17.4%. As an emerging industry in Greater China, strong support from the central and local governments and the awareness of residential health and sporting will bring about the influx of different participants. Therefore, the sales revenue is expected to reach RMB79.5 billion by 2023, with a CAGR of 9.5% between 2018 and 2023.

The graph below presents the market size of IP development for sports market in Greater China from 2014 to 2023:

Sales revenue of the IP development for sports market, Greater China, 2014-2023E



Source: CIC

Market drivers of IP development for sports market in Greater China

(1) Sound development of the sports sector in the PRC

According to the National Bureau of Statistics, the total output of the sports sector in the PRC, which is the total value of goods and services produced in the sports sector, increased from RMB1,357.5 billion in 2014 to RMB2,400.0 billion in 2018, representing a CAGR of 15.3% between 2014 and 2018. According to the National Bureau of Statistics, the sports sector can be categorised into industries including the manufacturing of sports products and other related items industry, the construction of sports facilities industry, and the sports services industry. In particular, sports services include sports media and information services, sports training and education, sports management activities, sports competitions and performances, sports fitness and leisure activities, etc.. In 2018, the share of sports services in the total output of the sports sector reached 36.9%. Therefore, the sound development of the sports sector in the PRC, especially the sports services sector, is expected to contribute to the expansion of IP development for the sports market.

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(2) Improvement of the participation in ornamental sports and mass sports of mass people

The National Fitness Program (2016-2020) released in 2016 encourages individuals to carry out national fitness activities and enrich the national fitness system. A variety of mass sports are becoming increasingly popular in Greater China, including running, jogging, swimming, badminton, table tennis, cycling, etc. People of all age groups take sports in different places, including outdoors, gyms, home, companies and paid stadium. Due to the growing societal awareness of sports and health, the mass people improve the participation in ornamental sports and mass sports, which becomes an important driving force for the mass sports IP.

(3) Emergence of online media platforms that broadcast sports events and increased willingness to pay for viewing sports content

The increasingly more important role of online media platforms that broadcast sports events and the increased willingness to pay for viewing sports content will drive more market players into the IP development for sports market. Viewing sports events via online media platforms is increasingly popular among audiences due to the convenience, high definition, and high interactivity of the broadcasting. In addition, as more sports events and related videos derived from sports IP turn to paid online programs, the willingness to pay for viewing sports content among audiences has been growing, and sports fans have developed a habit of paying for viewing sports content. Compared with other video content, sports events are real-time, and have higher requirements for real-time broadcasting and video broadcast quality. Therefore, the desire for a better viewing experience contributes to the growth of the paid sports content services.

Competitive landscape of the IP development for sports market in Greater China

The IP development for sports market in Greater China is highly fragmented, with professional agencies for sports events operation and media platforms for sports broadcasting being the major two types of market players in the IP development for sports market in Greater China. In 2018, our Group's IP development for sports market in Greater China generated a revenue of RMB38.4 million, accounting for a share of approximately 0.1% of the IP development for sports market in Greater China.

Overview of cycling races in the PRC

Mass sports such as cycling races have witnessed great expansions over the past few years in the PRC under the great support by the Chinese government. The number of cycling races kept at a relatively steady level of around 3,000. The number of cyclists increased at a CAGR of 32.8% between 2016 and 2018 from 8.5 million in 2016 to 15.0 million in 2018. The market size of IP development for cycling races, as measured by revenue, increased from RMB1,230.0 million in 2016 to RMB1,558.0 million in 2018, representing a CAGR of 12.5%. The large base of the races and participants, along with the revenue growth of the IP development for cycling races, indicates the growing potential for the market of mass sports in the future.

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Set out below is a summary of the major applicable laws and regulations relevant to our businesses and operations in the PRC and Hong Kong.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE PRC

Our business and operations in the PRC are subject to laws and regulations of the PRC. As we provide integrated marketing solutions to premium and luxury brands in the PRC, we are not subject to any specific statutory qualifications, certifications or licences granted by the PRC government.

Public Safety

Pursuant to the *Regulations on Safety Administration of Large-scale Public Activities* (《大型群眾性活動安全管理條例》) which was promulgated on 14 September 2007 and took effect on 1 October 2007, large-scale public activities refer to the following activities that the legal persons or other organisations hold for the public with the participants expected to reach 1,000 or more: sports competition; concert, music concert and other art performances; exhibition and spot sale; garden party, lantern festival, temple fair, flower show, fireworks show and other activities; and career fair, field lottery sale, etc.

Security permission system for large-scale public activities is implemented by public security authorities, the organisers should apply for security permission 20 days before the activities with the public authorities. The county level public security authorities are generally entitled to grant security permission for activities with estimated attendances between 1,000 and 5,000 participants, and the municipal level public security authorities are generally entitled to grant security permission for activities with estimated attendances of more than 5,000 attendees.

The organiser of a large-scale public activity (the “**organiser**”) is responsible for the activity’s security. Specifically, the organiser shall work out a security plan for such activity in order to provide the necessary guarantee for the security of the large-scale public activity with time, venue, content and way of organisation of the activity; the number of security staff, their assignments and identification signs; emergency-rescue plan, and so on.

Where a large-scale public activity is held without a security permission issued by the public security authorities, the activity shall be banned by the public security authorities and a fine of between RMB100,000 and RMB300,000 shall be imposed on the organiser.

Advertising Services

Pursuant to the *Advertising Law of the PRC* (《中華人民共和國廣告法》), the “**New Advertising Law**”) which was promulgated on 27 October 1994 and last amended on 26 October 2018, advertisement shall be expressed in a true, legal and healthy manner, in line with the requirements of construction of socialist spiritual civilisation and development of Chinese national fine cultural tradition, shall not contain false or misleading content and defraud or mislead consumers. Advertisers, advertising agents and advertisement publishers shall abide by

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the laws, regulations and the principles of justice, honesty and fair competition in carrying out advertising activities. Local administrative departments for industry and commerce at and above the county level shall take charge of the supervision and administration on advertising within their respective administrative jurisdictions. Other relevant departments of the local people's governments at and above the county level shall take charge of the advertising management related work within their respective scope of duties. The New Advertising Law increases the potential legal liability of advertising services providers and strengthens regulations of false advertising. Pursuant to the *Guidance of State Administration for Industry and Commerce and National Development and Reform Commission on Promotion of Advertising Industry* (《國家工商行政管理總局、國家發展和改革委員會關於促進廣告業發展的指導意見》) which was promulgated on 23 April 2008 and took effect on the same date, advertising industry in the PRC has developed rapidly since the reform and opening, and it has become a crucial industry with a certain scale that promotes the development of innovative economy.

Moreover, the *Thirteenth Five-Year Plan for the Advertising Industry Development* (《廣告產業發展“十三五”規劃》), which was promulgated on 7 July 2016 and took effect on the same date, proposes that the advertising industry should strive to achieve the following objectives during the thirteenth five-year plan period: (i) expand the industrial scale; (ii) enhance the innovation capability; (iii) enhance social benefits; (iv) deepen industry reforms and optimise the development environment.

On 4 July 2016, the SAIC issued the *Interim Measures for the Administration of Internet Advertising* (《互聯網廣告管理暫行辦法》), the “**SAIC Interim Measures**”) and it took effect on 1 September 2016. SAIC Interim Measures set out the definition of online advertising, types of advertisers allowed to launch online advertisements and major requirements for online advertisements. Moreover, the SAIC Interim Measures clarifies the key issues regarding internet advertising and regulates certain practices that hinder the healthy development of the industry. SAIC Interim Measures provides that the internet advertisement shall be identifiable and clearly identified as an “advertisement” so that consumers can tell it is an advertisement. Paid search advertisements shall be clearly distinguished from natural search results. No advertisement of any medical treatment, medicines, dietary supplement of other special commodities or services which are subject to review by advertisement review authorities as stipulated by laws and regulations shall be released unless it has passed such review. Advertising operators and distributors of internet advertisement must examine, verify and record identity information, such as name, address and contact information, of advertisers, and maintain an updated verification record on a regular basis.

Pursuant to the *Opinions on Promoting the Healthy and Orderly Development of the Mobile Internet* (《關於促進移動互聯網健康有序發展的意見》), the “**Mobile Internet Opinions**”) which was promulgated on 15 January 2017 and took effect on the same date, the Mobile Internet Opinions give the opinions that the country should make more efforts to protect intellectual property rights of such innovations as mobile internet technologies and business models, study and perfect the relevant laws and regulations, increase the cost of infringement of intellectual property rights and violation of laws, and promote the development of digital creativity and application of information technology in mobile internet.

Sports Competitions and other Sports Events

Pursuant to the *Law of the People's Republic of China on Physical Culture and Sports* (《中華人民共和國體育法》) promulgated on 29 August 1995 and last amended on 7 November 2016, the administrative department for physical culture and sports under the State Council shall be in charge of the work of physical culture and sports throughout the country. Other relevant departments under the State Council shall administer the work of physical culture and sports within their respective functions and powers. The administrative departments for physical culture and sports of the local governments at or above the county level or the organs authorised by the governments at the corresponding levels shall be in charge of the work of physical culture and sports within their administrative areas.

The *Measures for management of sports events* (《體育賽事管理辦法》) promulgated by the General Administration of Sports of China on 1 March 2016, classified administration of sports competitions at different levels. Comprehensive national games shall be administered by the administrative department for physical culture and sports under the State Council or by the administrative department for physical culture and sports under the State Council in conjunction with other relevant organisations. National competition of an individual sport shall be administered by the national association of the corresponding sport. Measures for the administration of local comprehensive sports games and local individual sports competitions shall be formulated by the local governments. The measures have cancelled the approval of commercial and mass sports events. Every legitimate subject has the right to organise commercial and mass sports events, and determine the holding time and place.

The principle of fair competition shall be followed in sports competitions. Organisers of competitions, athletes, coaches and referees shall abide by sportsmanship, and may not practice fraud or engage in malpractice for selfish ends. Use of banned drugs and methods is strictly prohibited in sports activities. Institutions in charge of testing banned drugs shall conduct strict examination of the banned drugs and methods. It is strictly forbidden for any organisation or individual to engage in gambling activities through sports competitions.

The *Several Opinions on Accelerating the Development of Sports Industry and Promoting Sports Consumption* (《關於加快發展體育產業促進體育消費的若干意見》, “**Opinions on Sports Industry**”), which was promulgated on 2 October 2014 and took effect on the same date, proposes development goals that the sports industry will exceed RMB5 trillion in total and become an important force to promote the sustainable development of the economic society in 2025. The point to consider is that the Opinions on Sports Industry have put forward a developing direction that relevant government departments should provide services for all kinds of sports events actively, promote fair, equitable and open circulation of resources with trading conditions, such as right to host events and right to develop intangible properties.

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The *Thirteenth Five-Year Plan for the Sports Industry Development* (《體育產業發展“十三五”規劃》), which was promulgated on 27 June 2016 and took effect on the same date, requires that the gross output of the sports industry shall exceed RMB3 trillion during the thirteenth five-year plan, the added value of the sports industry shall reach 1% of GDP, and the added value of the sports service industry shall account for more than 30%. In the meanwhile, it promotes the development of professional sports and encourages the development of professional sports leagues.

The *Notice on Supporting Social Forces to Conduct Action Plan for Large Public Sports Events such as Marathon and Bicycles (2017)* (《關於<支持社會力量舉辦馬拉松、自行車等大型群眾性體育賽事行動方案(2017年)>的通知》), which was promulgated on 10 July 2017 and took effect on the same date, proposes to further stimulate sports consumption and strive to create a good environment for social force to hold large-scale sports events, such as marathons and cycling race.

Foreign Investment

Activation Group is a foreign-invested joint company.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), the “**Foreign Investment Law**”) was promulgated on 15 March 2019 and will come into force on 1 January 2020. This unified Foreign Investment Law is an amalgamation of the three existing laws, which are the *Law of the PRC on Sino-foreign Equity Joint Ventures* (《中華人民共和國中外合資經營企業法》), the *Law of the PRC on Wholly Foreign-owned Enterprises* (《中華人民共和國外資企業法》) and the *Law of the PRC on Sino-foreign Cooperative Joint Ventures* (《中華人民共和國中外合作經營企業法》) respectively, all three of these will be replaced. However, foreign-invested enterprises that were previously established in accordance with these laws, before the Foreign Investment Law takes effect, may keep their original corporate organisational forms for five years after the implementation of this Law. The detailed measures are currently under consideration by the State Council.

Investments in the PRC by foreign investors and foreign-invested enterprises were regulated by the *Catalogue of Industries for Guiding Foreign Investment* (外商投資產業指導目錄), last repealed by *The Special Management Measures (Negative List) for the Access of Foreign Investment (2019)* (《外商投資准入特別管理措施(負面清單)(2019年版)》), the “**Negative List**”), which was issued by the NDRC and MOFCOM on 30 June 2019 and implemented on 30 July 2019. The Negative List has set out in a unified manner the restrictive measures for the access of foreign investments such as the requirements for equity and senior management, and the industries that are restricted or prohibited for foreign investment. The Negative List covers 13 types of industries, and any industry not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

The *Interim Measures for Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises* promulgated by the MOFCOM (《外商投資企業設立及變更備案管理暫行辦法》), which was promulgated on 8 October 2016 and last amended on 30 June 2018, shall apply to the establishment and change of foreign-invested enterprises, as long as the special market entry management measures prescribed by the State are not involved.

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Overseas Investment

According to the 2004 Measures, the projects of resource development, with the Chinese investment amount of USD30 million or less, and other projects using the foreign exchange of USD10 million or less by the Chinese party (the “**Approval Projects**”), shall be subject to the examination and approval of the provincial-level development and reform departments of provinces and municipalities directly under the Central Government.

The 2008 Shanghai Measures, stipulates that, competent development and reform departments of Shanghai Municipal is in charge of the approval for the Approval Projects.

Pursuant to the 2014 Measures, outbound investment projects conducted by a domestic enterprise in the PRC, whether by way of establishment, merger and acquisition, equity investment, capital increase or injection or other means, for ownership, operation management right or other related interests outside the PRC, other than those specified in Article 7 of the 2014 Measures, with the Chinese investment amount of less than USD300 million (the “**Record-filing Projects**”), shall be subject to the record-filing of the competent investment departments of the provincial-level governments of the provinces and municipalities directly under the Central Government. In addition, the 2015 Shanghai Measures stipulate that, Record-filing Projects shall be subject to record-filing procedures of Shanghai NDRC.

Pursuant to the *Administrative Measures for Outbound Investment by Enterprises* (《企業境外投資管理辦法》), which was promulgated by NDRC on 26 December 2017 and took effect on 1 March 2018, a domestic enterprise, or the investor, making an outbound investment shall go through verification and approval or record-filing or other procedures applicable to outbound investment projects, or the Projects, report relevant information, and cooperate with the supervision and inspection. Sensitive projects carried out by investors directly or through overseas enterprises controlled by them shall be subject to the management of verification and approval; non-sensitive projects directly carried out by investors, namely, non-sensitive projects involving investors’ direct contribution of assets or rights and interests or provision of financing or security, shall be subject to the management of record-filing. The aforementioned “sensitive project” means a project involving a country or region without diplomatic relations with the PRC or a sensitive industry. The NDRC promulgated the *Catalogue of Sensitive Sectors for Outbound Investment (2018 Edition)* (《境外投資敏感行業目錄(2018年版)》) on 31 January 2018, which took effect on 1 March 2018 and has listed out the current sensitive industries in detail.

Pursuant to the *Administrative Measures for Outbound Investment* (《境外投資管理辦法》) which was promulgated by the MOFCOM on 6 September 2014 and took effect on 6 October 2014, the MOFCOM and Provincial Competent Commerce Departments shall carry out administration either by record-filing or by verification and approval depending on different circumstances of outbound investment by enterprises. Outbound investment by enterprises that involves sensitive countries and regions, or sensitive industries shall be subject to administration by verification and approval. Outbound investment by enterprises that falls under any other circumstances shall be subject to administration by record-filing.

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The *Provisional Measures on the Reporting for Filing (Approval) of Outbound Investment* (《對外投資備案(核准)報告暫行辦法》), which was promulgated on 18 January 2018 and took effect on the same date, proposes that, in terms of the establishment of enterprises (including merger, acquisition and other ways of investment, hereinafter the same) overseas by domestic investors, domestic investors are required before such establishment to submit the relevant information and materials to the relevant authorities to either file such establishment for the record or approve such establishment. The enterprises mentioned in the preceding paragraph refer to enterprises in the final destinations, and the final destinations refer to locations where the outbound investments by domestic investors will finally be used for project development or continuous production and operation. Domestic investors shall report information in the important part of its outbound investment on a regular basis to the relevant authority. The information to be reported by domestic investors shall include but not be limited to the following: monthly and yearly information filled out as per the Statistical System of Outbound Direct Investments, matters of outbound investments and acquisition, progress of invested projects under construction, major problems in outbound investments, as well as the compliance with local laws and regulations, protection of resources and environment, protection of lawful rights and interests of employees, performance of social responsibility, and implementation of security protection system.

Foreign Exchange

The principal regulation governing foreign currency exchange in the PRC is the *Foreign Exchange Administration Rules of the PRC* (《中華人民共和國外匯管理條例》, the “**Foreign Exchange Administration Rules**”) which was promulgated on 29 January 1996 and last amended on 5 August 2008. Under the Foreign Exchange Administration Rules, RMB is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or filings with the relevant governmental authorities (if necessary).

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SAFE promulgated the *Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign Invested Enterprises* (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (“**SAFE Circular 19**”). SAFE further promulgated the *Notice of the State Administration of Foreign Exchange on Reforming and Standardising the Foreign Exchange Settlement Management Policy of Capital Account* (《關於改革和規範資本項目結匯管理政策的通知》) (“**SAFE Circular 16**”), effective on 9 June 2016 which, among other things, amend certain provisions of Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the RMB capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties.

The *Measures on Administration of Renminbi Settlement for Foreign Direct Investment* (《外商直接投資人民幣結算業務管理辦法(中國人民銀行公告[2011]第23號》)) (the “**Measures on Renminbi Settlement**”) were promulgated by the People’s Bank of China on 13 October 2011 and revised on 29 May 2015. Under the Measures on Renminbi Settlement, foreign investors shall comply with the provisions of PRC laws and regulations on foreign direct investment when using RMB in making investments in the PRC.

Pursuant to *Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies* (《關於進一步簡化和改進直接投資外匯管理政策的通知》), the “**Circular 13**”), which was promulgated on 13 February 2015 and implemented on 1 June 2015, the initial foreign exchange registration for establishing or taking control of a special purpose vehicle by domestic residents can be conducted with a qualified bank, instead of the local foreign exchange bureau.

Labour Protection

The *Labour Contract Law of the PRC* (《中華人民共和國勞動合同法》), which was promulgated on 29 June 2007 and amended on 28 December 2012, and the *Regulations on Implementation of the Labour Contract Law of the PRC* (《中華人民共和國勞動合同法實施條例》), which took effect on 18 September 2008, provide for the establishment of labour relationship between employing entities and workers, as well as the concluding, performance, dissolution and revision of the labour contracts. To establish a labour relationship, a written labour contract shall be signed. In the event that no written labour contract is signed at the time when a labour relationship is established, such contract shall be signed within one month as of the date when the employing enterprise employs the employee.

Pursuant to the *Social Insurance Law of the PRC* (《中華人民共和國社會保險法》) which was promulgated on 1 July 2011 and amended on 29 December 2018, *Interim Regulations on Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》) which took effect on 22 January 1991 and was amended on 24 March 2019, *Trial*

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Measures for Enterprise Staff Maternity Insurance (《企業職工生育保險試行辦法》) which took effect on 1 January 1995, *Regulations on Work-Related Injury Insurance* (《工傷保險條例》) which was promulgated on 1 January 2004 and amended on 20 December 2010, and *Regulations on Management of Housing Provident Fund* (《住房公積金管理條例》) which was promulgated on 3 April 1999 and amended on 24 March 2019, employing entity must pay basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing provident fund for its employees. If an employing entity fails to go through the formalities or does not pay the full amount as scheduled, the relevant administration department shall order it to make rectification or make up the payment within the prescribed time limit. If the rectification for social insurance registration is not made within the stipulated period, the employing entity shall be imposed a fine. If the payment for social insurance premiums is not made within the stipulated period, the relevant administration department shall impose a fine. If an employing entity fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund account for its employees within the time limit, a fine shall be imposed. If an employing entity fails to make the payment and deposit of the housing provident fund within a prescribed time limit, an application may be made to the people's court for compulsory enforcement.

Pursuant to the *Interim Measures for the Participation in Social Insurance of Foreigners Employed in China* (《在中國境內就業的外國人參加社會保險暫行辦法》), which was promulgated on 6 September 2011 and implemented on 15 October 2011, foreigners lawfully employed by organisations established or registered in the PRC (the “**Employer**”), such as enterprises, public institutions, social groups, private non-enterprise units, foundations, law firms, accounting firms, shall legally make their contribution of basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance and pay social insurance fee together with the Employer in accordance with the provisions.

Pursuant to the *Circular of the Shanghai Municipal Bureau of Human Resources and Social Security on the Issues of Foreigners, Overseas Permanent (Long-term) Residency Holders, and Residents from Taiwan, Hong Kong and Macau Who Are Working in Shanghai to Participate in the Urban Social Insurance Scheme* (《上海市人力資源和社會保障局關於在滬工作的外籍人員、獲得境外永久(長期)居留權人員和台灣香港澳門居民參加城鎮職工社會保險若干問題的通知》) (“**Circular 38**”), which was promulgated and effective on 10 October 2009, Foreigners, Overseas Permanent (Long-term) Residency Holders, and Residents from Taiwan, Hong Kong and Macau, who are employed by employers which are legally required to participate in the urban social insurance scheme and have applied and obtained certain certificates, such as Certificate of Foreign Expert, Shanghai Residency Permit (B Type), Work Permit for Foreigners, Work Permit for Residents from Taiwan, Hong Kong and Macau, Work Approval in Shanghai for People with Foreign Permanent (Long-term) Residency, may participate in the basic pension insurance, basic medical insurance, work-related injury insurance and may stipulate such arrangement in the employment or retainer contract.

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Pursuant to *Circular on Extension of Effective Period of 182 Administrative Regulatory Documents such as Circular on Issuance of Approval and Management Measures on Private-run Vocational Training Institutions in Shanghai* (《關於延長《關於印發〈上海市民辦職業培訓機構審批和管理辦法〉的通知》等182件行政規範性檔有效期的通知》), which was promulgated and implemented on 12 August 2016, the effective period of Circular 38 will be extended to 15 August 2021.

Intellectual Property

Trademark

Pursuant to the *Trademark Law of the PRC* (《中華人民共和國商標法》, the “**Trademark Law**”) which was promulgated on 23 August 1982 and last amended on 1 November 2019, the period of validity for a registered trademark is 10 years, commencing from the date of registration. Upon expiry of the period of validity, the registrant shall go through the formalities for renewal within twelve months prior to the date of expiry as required if the registrant needs to continue to use the trademark. Where the registrant fails to do so, a grace period of six months may be granted. The period of validity for each renewal of registration is 10 years, commencing from the date immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be canceled.

According to the Trademark Law, any of the following conduct shall be an infringement upon the right to exclusively use a registered trademark:

- Using a trademark identical with a registered trademark on identical goods without being licensed by the trademark registrant.
- Using a trademark similar to a registered trademark on identical goods or using a trademark identical with or similar to a registered trademark on similar goods, without being licensed by the trademark registrant, which may easily cause confusion.
- Selling goods which infringe upon the right to exclusively use a registered trademark.
- Forging or manufacturing without authorisation the labels of a registered trademark of another party or selling the labels of a registered trademark forged or manufactured without authorisation.
- Replacing a registered trademark without the consent of the trademark registrant and putting the goods with a substituted trademark into the market.

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- Intentionally providing facilitation for infringement upon others' right to exclusively use a registered trademark or aiding others in committing infringement upon the right to exclusively use a registered trademark.
- Otherwise causing damage to the right to exclusively use a registered trademark of others.

Where any dispute arises from any of infringements upon the right to exclusively use a registered trademark as set out above, the parties concerned shall resolve the dispute through negotiation; and if they are reluctant to resolve the dispute through negotiation or the negotiation fails, the trademark registrant or an interested party may institute an action in a people's court or request the administrative department for industry and commerce to handle the dispute.

Where any dispute arises regarding the amount of damages for infringement upon the right to exclusively use a registered trademark, the parties concerned may request the administrative department for industry and commerce handling the dispute to conduct mediation or institute an action in a people's court in accordance with the *Civil Procedure Law* of the PRC (《中華人民共和國民事訴訟法》, the “**Civil Procedure Law**”). If the parties concerned fail to reach an agreement upon mediation by the administrative department for industry and commerce or fail to fulfill a mediation agreement after being executed, the parties concerned may institute an action in a people's court in accordance with the *Civil Procedure Law*.

Copyright

Pursuant to the *Copyright Law of the PRC* (《中華人民共和國著作權法》, the “**Copyright Law**”), which was promulgated on 7 September 1990 and last amended on 26 February 2010, copyrights include personal rights such as the right of publication and that of attribution as well as property rights such as the right of production and that of distribution. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the *Copyright Law*, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology, pay damages, etc.

Domain Name

Pursuant to the *Measures on Administration of Internet Domain Names* (《互聯網域名管理辦法》, the “**Domain Name Measures**”) which was promulgated on 24 August 2017 and took effect on 1 November 2017, the Ministry of Industry and Information Technology, or the MIIT and its local counterparts are in charge of the administration of PRC internet domain names. The domain name registration follows a first-to-file principle. Applicants for

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registration of domain names shall provide the true, accurate and complete information of their identities to domain name registration service institutions. The applicants will become the holder of such domain names upon the completion of the registration procedure.

Taxation

Enterprise Income Tax

Pursuant to the *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》), the “**EIT Law**”) which was promulgated on 16 March 2007 and last amended on 29 December 2018 and its implementation rules, the income tax for both domestic and foreign-invested enterprises is at the same rate of 25%. Furthermore, resident enterprises, which refer to enterprises that are set up in accordance with the PRC laws, or that are set up in accordance with the law of the foreign country (region) but with its actual administration institution in the PRC, shall pay enterprise income tax generated both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to the income generated from the PRC and obtained by their institutions or establishments, and the income incurred outside the PRC but there is an actual relationship with the institutions or establishments set up by such enterprises. Where non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall pay enterprise income tax in relation to the income generated from the PRC.

Value-added Tax and Business Tax

Pursuant to the *Provisional Regulations on Value-added Tax of the PRC* (《中華人民共和國增值稅暫行條例》) which was promulgated on 13 December 1993 and last amended on 19 November 2017 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, the sale services, intangible assets, immovables, and the importation of goods are required to pay value-added tax.

Since 2011, the MOFCOM and the SAT have implemented the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》) (the “**VAT Pilot Plan**”), which imposes VAT in lieu of business tax for certain “modern service industries” in certain regions and eventually expanded to nation-wide application in 2013. According to the implementation circulars released by the MOFCOM and the SAT on the VAT Pilot Plan, the “modern service industries” include research, development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. According to the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the *Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner* (《財政部、

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國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) which became effective on 1 May 2016, entities and individuals engaging in the sale of services, intangible assets or fixed assets within the territory of the PRC are required to pay value-added tax instead of business tax.

Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) which was promulgated on 4 April 2018 and took effect on 1 May 2018 and the *Announcement on Policies for Deepening the VAT Reform* (《關於深化增值稅改革有關政策的公告》) which was promulgated on 20 March 2019 and took effect on 1 April 2019 propose that, in order to promote substantial cuts of VAT, the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

Urban Maintenance and Construction Tax as well as Education Surtax

Pursuant to the *Provisional Provisions on the Collection of Educational Surtax* (《徵收教育費附加的暫行規定》) which was promulgated on 28 April 1986 and last amended on 8 January 2011, all entities and individuals who pay consumption tax, value-added tax and business tax shall also be required to pay educational surtax. The educational surtax rate is imposed at 3% of the amount of value-added tax, business tax and consumption tax actually paid by each entity or individual, and the educational surtax shall be paid simultaneously with value-added tax, business tax and consumption tax. In accordance with the *Provisional Regulations on Urban Maintenance and Construction Tax of PRC* (《中華人民共和國城市維護建設稅暫行條例》) which was promulgated on 8 February 1985 and last amended on 8 January 2011 and the *Circular of the State Administration of Taxation on Issues Concerning the Collection of the Urban Maintenance and Construction Tax* (《國家稅務總局關於城市維護建設稅徵收問題的通知》) which was promulgated on 12 March 1994 and took effect on the same date, any entity or individual liable to consumption tax, value-added tax and business tax shall also be required to pay urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the consumption tax, value-added tax and business tax which a taxpayer actually pays and shall be made simultaneously when the latter are paid. The urban maintenance and construction tax is charged at three different rates depending on the location of the taxpayer: 7% for urban area, 5% for county or town area and 1% for other areas.

Dividend Withholding Tax

The EIT Law provides that since 1 January 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

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Pursuant to the *Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes* (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》), the “**Double Tax Avoidance Arrangement**”) promulgated by the State Administration of Taxation, or the SAT, on 21 August 2006 and which became effective on the same date, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the *Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties* (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), the “**SAT Circular 81**”) issued on 20 February 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. The *Circular on Several Questions regarding the “Beneficial Owner” in Tax Treaties* (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》), the “**SAT Circular 9**”) which was issued on 3 February 2018 by the SAT and took effect on 1 April 2018, provides guidance for determining whether a resident of a contracting state is the beneficial owner of an item of income under the PRC’s treaties and similar arrangements. According to SAT Circular 9, a beneficial owner generally must be engaged in substantive business activities and an agent will not be regarded as a beneficial owner and, therefore, will not qualify for these benefits.

HONG KONG LAWS AND REGULATIONS

Laws and Regulations in relation to Registration and Licence

Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) (“BRO”)

Our Group carries on business in Hong Kong, hence we are subject to the BRO which requires every person, whether a company or an individual, who carries on a business in Hong Kong to apply for business registration certificate from the Inland Revenue Department within one month from the date of commencement of the business, and to display the valid business registration certificate at the place of business. Any person who fails to apply for business registration or display a valid business registration certificate at the place of business shall be guilty of an offence, and shall be liable to a fine of HK\$5,000 and to imprisonment for one year.

Places of Public Entertainment Regulations (Chapter 172A of the Laws of Hong Kong) (“PPER”)

For the exhibitions, fashion shows, stage performance or other entertainment conducted in a temporary structure or building in Hong Kong, our Group is required to apply for a temporary place of public entertainment licence from the FEHD. Regulation 162 of the PPER provides that any person who desires to keep or use any place of public entertainment (other

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than a theatre or cinema) shall apply to the licensing authority for the grant of a licence in respect thereof not less than 42 days before the commencement of the proposed entertainment, the definition of which is specified in the Places of Public Entertainment Ordinance (Chapter 172 of the Laws of Hong Kong) (“**PPEO**”). A place of public entertainment is where any entertainment the general public is admitted with or without payment, which includes, amongst others, concert and stage performance including an exhibition of dancing. If the public entertainment is to take place in a temporary structure in the premises, the validity of the licence (known as a temporary place of public entertainment licence) will be limited to one month or less as the FEHD may deem fit, but such licence may be renewed at the discretion of the FEHD. According to the PPEO, any person found guilty of the offence by keeping or using a place of public entertainment without a licence granted therefor shall be liable on conviction to a maximum fine of HK\$25,000 and imprisonment for 6 months, and to a further fine of HK\$2,000 for every day during which the offence has continued. Any person holding a temporary places of public entertainment licence who breaches the licensing conditions shall be liable on conviction to a maximum fine of HK\$5,000 and to imprisonment for 6 months.

Laws and Regulations in relation to Labour Health

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) (“OSHO”)

The OSHO sets out provisions governing safety and health of employees in both industrial and non-industrial workplaces. Employers must, as far as reasonably practicable, ensure safety and health in their workplaces by:

- (i) providing and maintaining plant and work systems that are safe and risk-free to health;
- (ii) making arrangement for ensuring safety and absence of health risk in connection with using, handling, storing or transportation of plant or substances;
- (iii) providing all necessary information, instructions, training, and supervision for ensuring safety and health;
- (iv) providing and maintaining safe access to and from the workplaces; and
- (v) providing and maintaining a working environment that is safe and risk-free to health.

Failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a maximum fine of HK\$200,000. An employer which fails to comply with the said provisions intentionally, knowingly or recklessly commits an offence and is liable on conviction to a maximum fine of HK\$200,000 and imprisonment for up to six months.

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The Commissioner for Labour may also issue an improvement notice against non-compliance of the OSHO or suspension notice against activity or condition of workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such notice without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 (for improvement notices) and HK\$500,000 (for suspension notices) respectively and imprisonment of up to 12 months.

Laws and Regulations in relation to Employment

As at the Latest Practicable Date, we had a total of 16 employees in Hong Kong, hence we are subject to the following laws and regulations in relation to labour and employment.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (“EO”)

The EO regulates the general conditions of employment and matters connected therein in Hong Kong. It provides for various employment-related benefits and entitlements to employees. All employees covered by the EO, irrespective of their hours of work, are entitled to protection including payment of wages, restrictions on wages deductions and the granting of statutory holidays. Employees who are employed under a continuous contract are further entitled to such benefits as rest days, paid annual leave, sickness allowance, severance payment and long service payment.

Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (“ECO”)

The ECO establishes a no-fault and non-contributory employee compensation system for work injuries, and lays down the rights and obligations of employers and employees in respect of injuries or death caused by prescribed occupational diseases or accidents arising out of and in the course of employment.

Under the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer shall be generally liable to compensate even if the employee might have committed acts of faults or was negligent when the accident occurred. Similarly, an employee who suffers incapacity or dies of an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 40 of the ECO, all employers (including contractors and subcontractors) are required to take out insurance policies for all their employees (including full-time and part-time employees) to cover their liabilities under the ECO and at common law for work injuries for an amount not less than the applicable amount specified under the ordinance. Currently, the applicable amount is HK\$100 million per event where the number of employees in relation to whom the policy is in force does not exceed 200, and the applicable amount is HK\$200 million per event where the number of employees in relation to whom the policy is in force exceeds 200. An employer who fails to secure the said insurance cover is liable on conviction to a maximum fine of HK\$100,000 and imprisonment for up to two years and on a summary conviction to a fine of HK\$100,000 and imprisonment for one year.

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According to section 48 of the ECO, an employer shall not, without the consent of the Commissioner for Labour, terminate, or give notice to terminate, the contract of service of an employee (who has suffered incapacity or temporary incapacity in circumstances which entitle him to compensation under the ECO) before occurrence of certain events. Any person who commits breach of this provision is liable on conviction to a maximum fine of HK\$100,000.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (“MPFSO”)

Section 7 of the MPFSO requires employers to enrol their employees to become a member of a Mandatory Provident Fund (“MPF”) scheme and section 7A of the MPFSO requires employers and relevant employees to contribute to the MPF scheme. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, an employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of maximum relevant monthly income of HK\$30,000. Contributions to the plan vest immediately.

An employer who fails to comply with section 7 of the MPFSO is liable for a maximum fine of HK\$350,000 and imprisonment for three years. An employer who fails to comply with section 7A of the MPFSO is liable for a maximum fine of HK\$100,000 and imprisonment for six months, and maximum fine of HK\$200,000 and imprisonment for 12 months for each subsequent conviction.

Other Laws and Regulations in relation to Our Business

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (“IRO”)

As our Group carry out business in Hong Kong, we are subject to the profits tax regime under the IRO.

The IRO is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The IRO provides, among others, that persons, which include corporations, partnerships, trustees and bodies of person, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits from the date of capital assets) arising in or derived from Hong Kong from such trade, profession or business. As at the Latest Practicable Date, the standard profits tax rate for corporations is at 16.5%. The IRO also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation.

Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) (the “Copyright Ordinance”)

The Copyright Ordinance provides comprehensive protection for recognised categories of work such as literary, dramatic, musical and artistic works. Such protection extends to making available to the public such works on the Internet. Certain copyrights may subsist in the works we create in relation to our publications, digital media content and advertising materials, including artistic works (such as artworks and photos), films (such as videos) or literary works (such as text) that qualify for copyright protection without registration.

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The Copyright Ordinance restricts certain acts such as copying and/or issuing or making available copies to the public of a copyright work without the authorisation from the copyright owner which, if done, constitutes “primary infringement” of copyright which does not require knowledge of infringement.

Under section 118 of the Copyright Ordinance, a person commits an offence if he, without the consent of the copyright owner of a copyright work, makes for sale or hire an infringing copy of the work or possesses an infringing copy of the work with a view to its being, among others, sold or let for hire by any person for the purpose of or in the course of that trade or business. A person who contravenes section 118(1) or (4) of the Copyright Ordinance shall be guilty of an offence and shall be liable to a fine of HK\$50,000 and to imprisonment for 4 years.

A person, amongst others, possesses, sells, distributes or deals with a copy of a work which is, and which he knows or has reason to believe to be, an infringing copy of the work for the purposes of or in the course of any trade or business without the consent of the copyright owner, may incur civil liability for “secondary infringement” under the Copyright Ordinance. However, the person will only be liable if, at the time he committed the act, he knew or had reason to believe that he was dealing with infringing copies of the work. Our Directors confirmed that they do not have any actual knowledge nor have any reason to believe that any advertising material submitted by the customers to our Group for publication, as well as any work created by our employees during the Track Record Period is an infringing copy of any work within the meaning of the Copyright Ordinance.

SINGAPORE LAWS AND REGULATIONS

Set out below is a summary of the salient applicable laws and regulations applicable to the business and operations of Activation Events SGP in Singapore.

Building Control (Outdoor Advertising) Regulations

The Building Control (Outdoor Advertising) Regulations (“**BCOAR**”) is authorised by the Building Control Act (Chapter 29 of Singapore) and administered by the Building and Construction Authority of Singapore (“**BCA**”). The BCOAR regulates the display of, *inter alia*, advertisements, signboards, and signs in the “outdoors”, which includes any roofed space that is not fully enclosed on all sides and which facilitates the flow of general pedestrian traffic or is accessible to the public. In particular, the BCOAR provides that event organisers who wish to display any outdoor sign must obtain a licence from the BCA. Certain exemptions to this requirement are also contained in the BCOAR. For example, a licence is not required if the aggregate area of any single signboard or series of related signboards does not exceed 5 square metres.

Any person who contravenes the above shall be liable on conviction to a fine not exceeding S\$5,000. The sign may also be removed without prior notice.

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Other requirements under the BCOAR may also apply. For example, the BCOAR prescribes, *inter alia*, that:

- (a) the sign if displayed 5 metres above any street, shall not project more than 1.5 metres from the regular line of the street;
- (b) the sign if fixed in a verandah-way or over a footpath, shall not be less than 2.5 metres above the level of the verandah way or footpath;
- (c) the sign if projecting over any street, shall not be less than 2.5 metres above the cover of any roadside drain; and
- (d) advertisement signs and signboards which are illuminated by means of flickering, flashing and running lights are generally prohibited to be displayed outdoors.

Generally, companies who wish to obtain a licence for the display of any sign or signboard must comply with the regulations prescribed under the BCOAR and the Urban Redevelopment Authority of Singapore's Outdoor Signage Guidelines.

Consumer Protection (Trade Descriptions and Safety Requirements) Act

The Consumer Protection (Trade Descriptions and Safety Requirements) Act (Chapter 53 of Singapore) (“**CP(TDSR)A**”) contains provisions which, amongst other things, prohibit the misdescriptions of goods supplied in the course of trade. A person who is guilty of an offence under the CP(TDSR)A (for example, through publication of advertisements containing false or misleading trade descriptions in relation to goods) may be charged with an offence and shall be liable on conviction to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding two years or to both. However, the CP(TDSR)A also provides that it is a defence for the person being charged that, amongst other things, the offence was due to a mistake on his part or to reliance on information supplied to him, and that he took all reasonable precautions and exercised all due diligence to avoid the commission of such an offence by himself or any person under his control.

Singapore Code of Advertising Practice

The Singapore Code of Advertising Practice (“**SCAP**”) is a code of practice set out by the Advertising Standards Authority of Singapore (“**ASAS**”) for the regulation of the advertising industry. ASAS is an advisory council to the Consumers Association of Singapore (“**CASE**”) and was set up in 1976 to promote ethical advertising in Singapore and serve as the self-regulatory body of the advertising industry. The SCAP prescribes general principles applicable to advertisements, which include:

- (a) decency: advertisements should not contain anything that is offensive to the standards of decency prevailing among those who are likely to be exposed to them;
- (b) honesty: advertisements should not abuse the trust of the consumer or exploit his lack of experience, expertise or knowledge;
- (c) truthful presentation: advertisements should not mislead in any way by inaccuracy, ambiguity, exaggeration, omission or otherwise; and
- (d) claims: advertisements should not misuse research results or quotations from technical and scientific publications.

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The SCAP also contains guidelines relating to specific services/products and the ASAS has issued additional guidelines from time to time to cater to new market developments and to supplement the SCAP. These include the social media marketing guidelines and guidance note issued in 2016 which, amongst other things, emphasises that marketing communication (being of a commercial nature) should be clearly distinguishable from editorial and personal opinion and should not take the form of social media content that appears to originate from a credible and impartial source and that marketers should not boost user engagement of a website, a social media channel or their content through fraudulent means (such as through the purchase of bulk “likes”, the creation of fake accounts and the use of programmes that generate page views). While SCAP has no force of law, any breach of the SCAP may potentially lead to sanctions applied by media owners through the withholding of advertising space/time or withdrawal of trading privileges from advertising agencies. Additionally, ASAS may name advertisers who have breached the SCAP and refer matters to CASE for action to be taken against errant advertisers.

Spam Control Act

Companies that may be required to send commercial electronic messages (including via electronic mail, text or multi-media messaging) to recipients in Singapore will be subject to the applicable laws. In particular, the Spam Control Act (Chapter 311A of Singapore) (“**Spam Control Act**”) generally provides for the control of spam, which is unsolicited commercial communications sent in bulk by electronic mail or by text or multi-media messaging to mobile telephone numbers. Should a claim be brought under the Spam Control Act, the types of relief that may be granted to the claimant include injunctions, damages and statutory damages which would generally not exceed S\$25 per electronic message and S\$1 million in aggregate.

Copyright Act

Copyrights in Singapore are governed by the Copyright Act (Chapter 63 of Singapore) (“**Copyright Act**”) of Singapore. In Singapore, an author automatically enjoys copyright protection as soon as he creates and expresses his original work in a tangible form. There is no system of registration of copyrights in Singapore and there are no formal steps required to be taken in order for a copyright to exist. The general position is that the person who created the work in question (i.e. the author) is the owner of the copyright and, in the case of a work created by a person pursuant to the terms of his employment, the copyright belongs to the employer. Subject to the provisions of the Copyright Act, the owner of a copyright may bring an action for an infringement of the copyright under Section 119 of the Copyright Act, and the type of relief the court may grant includes injunctions, damages, account of profits and/or statutory damages.

In some cases, a collective management organisation (“**CMO**”) may be appointed by copyright holders to manage the rights in their copyright works. In particular, a CMO is an independent, private organisation that administers the licensing of rights, collection of royalties and enforcement of rights on behalf of the copyright holders.

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Public Entertainments Act

Public Entertainment Licence

Under the Public Entertainments Act (Chapter 257 of Singapore) (“**PEA**”), unless otherwise exempted, no organisation shall provide public entertainment in any place accessible to the public whether gratuitously or otherwise, except in a place that has been approved and in accordance with a Public Entertainment Licence (“**PEL**”) issued under the PEA. Generally, any person who provides or assists in providing any public entertainment without a PEL shall be liable on conviction to a fine up to S\$20,000. Any person who provides or assists in providing any public entertainment in contravention of the PEA or any condition of a PEL shall be liable on conviction of a fine up to S\$10,000. Under the PEA, “public entertainment” includes, amongst other, any performance of gymnastics, acrobatics or legerdemain, demonstration, display or parade, any exhibition of film, or any arts entertainment.

Under section 8 of the PEA, the PEL may be issued or renewed subject to specific conditions and the validity period or expiry date, as may be specified in the licence. At all times while the public entertainment is being provided in a building or tent, the PEL shall be prominently displayed in such building or tent. In all other cases, the licence shall be kept in the possession of the licensee. A Licensing Officer (as defined in the PEA) has the discretion to add, vary or revoke the conditions of a PEL at any time and may cancel or suspend the licence if any condition has been breached.

Arts Entertainment Licence

Unless exempted, all indoor or outdoor arts entertainment events conducted at a place accessible to the public require an Arts Entertainment Licence (“**AEL**”). The AEL is administered by the Infocomm Media Development Authority of Singapore (“**IMDA**”). Under the PEA, “arts entertainment” includes, amongst other things, any exhibition of models, reading matter, pictures, photographs or of statuary or other forms of representation of human or animal figures, any display or exhibition of other still objects or art, and any variety act or performance of music, singing or dancing.

Environmental Public Health Act

The setup of a temporary fair with stalls for the sale of, *inter alia*, food and beverages in Singapore requires a permit. Under section 35 of the Environmental Public Health Act (Chapter 95 of Singapore) (“**EPHA**”), no person shall promote, organise or stage any temporary fair or other such function or activity without first obtaining a permit from Singapore Food Agency. Any person who promote, organise or stage any temporary fair without first obtaining a permit shall be liable on conviction to a fine up to S\$10,000.

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Public Order Act

Under section 6A of the Public Order Act (Chapter 257A of Singapore), if the number of people participating in or attending the event is expected to exceed the 5,000 people for public events or 10,000 people for private events at any time during the event, the event organisers are required to submit to the police a Notice of Intention to Organise an Event. The Notice of Intention to Organise an Event has to be submitted at least 28 days before the start of the event. An event organiser who fails to comply shall be liable on conviction to a fine up to S\$20,000 or to jail term up to 12 months or to both.

GENERAL REGULATIONS

Personal Data Protection Act

As the business may collect, process, use and/or disclose personal data of individuals in the provision of our marketing/advertising services to the clients, the Personal Data Protection Act (No. 26 of 2012) (“**PDPA**”) may be applicable to the business operations.

Generally, the PDPA governs the collection, use and disclosure of individuals’ personal data by organisations, and the PDPA is administered and enforced by the Personal Data Protection Commission (“**PDPC**”).

An organisation is required to comply with the following obligations prescribed by the PDPA:

- (a) obtain the consent of the individual before collecting, using, or disclosing his personal data, for purposes that a reasonable person would consider appropriate in the circumstances;
- (b) notify the individual of the purpose of collecting his personal data;
- (c) only use personal data for purposes consented by the individual;
- (d) put in place mechanisms for individuals to withdraw their consent;
- (e) take reasonable efforts to ensure that personal data collected are accurate and complete if the personal data is likely to be used to make a decision that affects the individual, or is likely to be disclosed to another organisation;
- (f) when requested, correct any error or omission in an individual’s personal data;
- (g) upon an individual’s request, provide an individual with his personal data in the organisation’s possession and control, as well as information about the ways in which the personal data have been used or disclosed in the past year;

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- (h) protect personal data by making reasonable security arrangements to prevent unauthorised access, collection, use, disclosure, copying, modification, disposal or similar risks;
- (i) cease to retain personal data as long as it is reasonable to assume that:
 - a. the purpose for which it was collected is no longer being served by retaining it; and
 - b. the retention is no longer necessary for business or legal purpose;
- (j) not to transfer any personal data out of Singapore except in accordance with the requirements set out in the PDPA; and
- (k) implement the necessary policies and practices in order to meet its obligations under the PDPA and make information about its policies and practices available on request.

If the PDPC finds that an organisation is not complying with any provision in the PDPA, it may give the organisation all or any of the following directions:

- (a) to stop collecting, using or disclosing personal data in contravention of the PDPA;
- (b) to destroy personal data collected in contravention of the PDPA;
- (c) to comply with any direction of the PDPC to provide access to or correct the personal data; or
- (d) to pay a financial penalty of such amount not exceeding S\$1 million.

Corporate Tax

A Singapore tax resident corporate taxpayer is subject to Singapore income tax on:

- (a) income accrued in or derived from Singapore; and
- (b) foreign sourced service income received or deemed received in Singapore, unless otherwise exempted.

Foreign income in the form of branch profits, dividends and service fee income (“**specified foreign income**”) received or deemed received in Singapore by a Singapore tax resident corporate taxpayer on or after 1 June 2003 are exempted from Singapore tax subject to meeting the qualifying conditions.

REGULATORY OVERVIEW

A non-Singapore tax resident corporate taxpayer, subject to certain exceptions, is subject to Singapore income tax on income accrued in or derived from Singapore, and on foreign income received or deemed received in Singapore.

A company is regarded as tax resident in Singapore if the control and management of the company's business is exercised in Singapore. In general, control and management of the company is vested in its board of directors and therefore if the board of directors meets and conducts the company's business in Singapore, the company will be regarded as tax resident in Singapore.

The corporate tax rate in Singapore is 17.0% with effect from the year of assessment 2010 after allowing partial tax exemption on the first S\$300,000 of a company's chargeable income as follows:

- (a) 75.0% of up to the first S\$10,000 of a company's chargeable income (excluding Singapore franked dividends); and
- (b) 50.0% of up to the next S\$290,000 of a company's chargeable income (excluding Singapore franked dividends).

It was announced in the Singapore Budget 2018 that with effect from year of assessment 2020, the partial tax exemption scheme will be limited to the first S\$200,000 (instead of S\$300,000) of the normal chargeable income – 75.0% of the first S\$10,000 and 50.0% of the next S\$190,000.

Further, new start-up companies will, subject to certain conditions, be eligible for full tax exemption on their normal chargeable income (other than Singapore dividends) of up to S\$100,000 and 50.0% tax exemption on up to the next S\$200,000 of normal chargeable income in each of the company's first three (3) consecutive years of assessment. The remaining chargeable income (after the tax exemption) will be taxed at the applicable corporate tax rate. It has been announced in the Singapore Budget 2018 that with effect from the year of assessment 2020, the tax exemption scheme for new start-up companies will be limited to the first S\$200,000 (instead of S\$300,000) of the normal chargeable income. The tax exemption on the first S\$100,000 will also be reduced from 100.0% to 75.0%.

Goods and services tax

Goods and services tax is a consumption tax that is levied on import of goods into Singapore, as well as nearly all supplies of goods and services in Singapore at a prevailing rate of 7%.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Our history can be traced back to November 2013 when Activation Business Consultancy, the predecessor company of Activation Group, was established by Mr. Ng, who invested in Activation Business Consultancy through his indirect investment in Activation International with his own financial resources. At the time of establishment, Activation Business Consultancy was owned as to 94.60% by Activation International (which was then owned as to 75% by a company wholly owned by Mr. Ng, 10% by Mr. Choi and 15% by Ms. Wong) and as to an aggregate of 5.40% by four Independent Third Parties. Subsequently in January 2014, Mr. Ng formed the management team of Activation Business Consultancy including himself and Mr. Lau, Mr. Chan and Ms. Low, who were ex-colleagues of Mr. Ng in Aibosi Weixuan and became acquainted with Mr. Ng during their tenure there. Activation Business Consultancy was principally engaged in the provision of experiential marketing, digital and brand communication, and public relations services. Please refer to the section headed “Directors and Senior Management” in this prospectus for further details about the previous working experience before the establishment of our Group for each of Mr. Ng, Mr. Lau, Mr. Chan and Ms. Low.

Our business and corporate milestones are set out below:

Milestones

The following events are the key business milestones of our Group since our establishment:

Year	Business development
November 2013	The predecessor of Activation Group, Activation Business Consultancy was established
March 2014	We completed the acquisition of the entire equity interest of Activation Events BJ
July 2014	New Margin invested in our Group as a venture capital
August 2014	Beijing Sequoia invested in our Group as a venture capital
January 2015	We ranked 24th in top 100 of China Potential Enterprise (福布斯中國非上市潛力企業100強中排名第24) by the Forbes
March 2015	We became a corporate member of China International Public Relations Association
July 2015	We completed the acquisition of the entire equity interest of Activation PR
August 2015	We completed the acquisition of the entire equity interest of Activation Digital
September 2015	We completed the acquisition of the entire issued shares of Activation Events HK

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Business development
December 2015	Activation Business Consultancy was converted into a joint stock limited company under the name of Activation Group
May 2016	We entered into ASO Cooperation Agreements with ASO for the exclusive use of Le Tour de France brand in the PRC market to run authorised events
June 2016	Shares of Activation Group were listed on NEEQ with stock code of 837732
August 2016	We entered into LaLiga Cooperation Agreements with LaLiga for the exclusive use of LaLiga Club brand in the PRC market to run authorised events
March 2017	Activation Events HK and Stufish Productions established Stufish Asia to engage in the provision of live entertainment service
November 2017	We completed the acquisition of the entire equity interest of Activation Project 23
January 2018	Listing of the shares of Activation Group on NEEQ was voluntarily withdrawn

ESTABLISHMENT AND MAJOR CHANGES CONCERNING OUR COMPANY AND THE MAJOR OPERATING SUBSIDIARIES OF OUR COMPANY

During the Track Record Period, the principal business of our Group had been operated under ten principal operating subsidiaries of our Company, namely Activation Group, Activation Events BJ, Activation Digital, Activation Events HK, Activation PR, Activation Project 23, Activation Sports Management, Activation Sports Development, Activation Entertainment and Activation Insight. The establishment and major changes concerning our Company and the major subsidiaries (which commenced business from their respective dates of establishment or incorporation) are set out below.

Our Company

Our Company was incorporated on 27 February 2019 as part of the Reorganisation. Upon incorporation, one subscriber share was issued, credited as fully paid, by our Company to an initial subscriber which was transferred on the same day to Activation Investment at nil consideration. As at the date of incorporation of our Company, the authorised share capital was HK\$380,000 divided into 3,800,000 shares having a par value of HK\$0.10 each. On 12 April 2019, pursuant to a resolution passed by our then sole Shareholder, each of 3,800,000 shares in the authorised share capital was sub-divided into 100 Shares such that the authorised share capital of our Company was HK\$380,000 divided into 380,000,000 Shares having a par value of HK\$0.001 each. Please refer to the paragraph headed “The Reorganisation – Corporate restructuring” in this section for the corporate restructuring of our Group in preparation for the Listing and the paragraph headed “Corporate Structure” in this section for the shareholding structure of our Group after the completion of the Reorganisation.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Activation Group

Activation Business Consultancy, the predecessor company of Activation Group, was established on 22 November 2013 as a limited liability company under the laws of the PRC with a registered capital of RMB15 million. It was principally engaged in the provision of experiential marketing, digital and brand communication and public relation services. At the time of its establishment, it was owned as to 94.60% by Activation International (which was then owned as to 75% by a company wholly owned by Mr. Ng, 10% by Mr. Choi and 15% by Ms. Wong) and as to an aggregate of 5.40% by four Independent Third Parties. These Independent Third Parties were companies incorporated in the PRC ultimately owned by PRC nationals introduced to our Group by Mr. Ng. These companies participated in the establishment of Activation Business Consultancy as the initial shareholders with a view to establish Activation Business Consultancy as a sino-foreign joint venture enterprise to facilitate its then plan for listing in the PRC and to prepare for the formation of the onshore employee shareholding platform of our Group, namely, Aide Zhongxin. Their sources of fund in the establishment of Activation Business Consultancy were also financed by Mr. Ng.

On 15 December 2015, Activation Business Consultancy was converted into a joint stock limited company under the name of Activation Group, with the total registered capital of RMB50 million. The following table sets out the name of the initial shareholders of Activation Group immediately after its establishment and the conversion into a joint stock limited company, their respective equity interest and how they became acquainted with Mr. Ng/our Group:

Name of Shareholders	Percentage of equity interest (%)	How Mr. Ng/our Group became acquainted with these shareholders
Activation International	67.71	N/A
Activation One	11.00	Activation One is a company ultimately controlled by Ms. Low who was an ex-colleague of Mr. Ng in Aibosi Weixuan and became acquainted with Mr. Ng during her tenure there
Beijing Sequoia	9.14	The representative of Beijing Sequoia approached us in 2014 to seek for investment opportunity
Aide Zhongxin	8.53	Aide Zhongxin was initially established as an employee shareholding platform of our Group and, as at the Latest Practicable Date, it was owned as to approximately 75.76% by certain senior management and the employees of our Group
New Margin	3.62	The representatives of New Margin approached us in 2013 to seek for investment opportunity, and New Margin subsequently invested in Activation Business Consultancy in July 2014

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Shares of Activation Group were previously listed on the NEEQ, and such listing was subsequently voluntarily withdrawn in January 2018. Please refer to the paragraph headed “Establishment and Major Changes Concerning our Company and the Major Operating Subsidiaries of our Company – Prior listing of shares of Activation Group on, and withdrawal thereof from, the NEEQ” in this section for further details.

In March 2017, Activation International transferred 2% of its equity interest in Activation Group to Yuyao Investment for a consideration of RMB40 million. Such consideration was determined based on negotiations between the parties. The transfer was completed through trading on NEEQ on 28 March 2017. After the share transfer, Activation Group became owned as to approximately 65.71% by Activation International, 11% by Activation One, 9.14% by Beijing Sequoia, 8.53% by Aide Zhongxin, 3.62% by New Margin and 2% by Yuyao Investment.

In March 2017, Activation One transferred 5% of its equity interest in Activation Group to Yuyao Investment for a consideration of RMB100 million. Such consideration was determined based on negotiations between the parties. The transfer of 2.5% of its equity interest in Activation Group was completed on 1 September 2017. The transfer of another 2.5% of its equity interest in Activation Group was completed through trading on NEEQ on 11 September 2017.

In June 2017, Activation International transferred 1.5% of its equity interest in Activation Group to Dongzheng Dingrui for a consideration of RMB30 million. Such consideration was determined based on negotiations between the parties. The transfer was completed through trading on NEEQ on 23 June 2017.

On 21 June 2017, Activation International transferred 2% and 0.5% of its equity interest in Activation Group to Shanghai Xingui and Ms. Rong for a consideration of RMB40 million and RMB10 million, respectively. Such consideration was determined based on negotiations between the parties. The transfer was completed through trading on NEEQ on 3 July 2017.

After completion of the abovementioned share transfer, and immediately after the withdrawal of listing of Activation Group on the NEEQ in January 2018, and immediately before the Reorganisation, Activation Group was then owned as to approximately 61.71% by Activation International, 9.14% by Beijing Sequoia, 8.53% by Aide Zhongxin, 7% by Yuyao Investment, 6% by Activation One, 3.62% by New Margin, 2% by Shanghai Xingui, 1.5% by Dongzheng Dingrui, and 0.5% by Ms. Rong. Please refer to the paragraph headed “The Reorganisation” in this section for the corporate structure of our Group immediately prior to the Reorganisation.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As part of the Reorganisation, on 22 July 2019, Activation International entered into an equity transfer agreement with the Onshore Corporate Shareholders, Ms. Rong and Activation One pursuant to which Activation International acquired from them their respective equity interest in Activation Group, which represented in aggregate approximately 22.15% equity interest in Activation Group, at an aggregate consideration of RMB37.66 million, which had been determined by reference to the net asset value of Activation Group as at 31 December 2018. The acquisition was approved by Shanghai Municipal Commission of Commerce of Changning District (上海市長寧區商務委員會) on 24 July 2019 and the register of members of Activation Group was updated on 5 August 2019. The consideration was settled in full on 12 September 2019.

As part of the Reorganisation, on 26 July 2019, Activation International entered into an equity transfer agreement with Beijing Sequoia pursuant to which Activation International acquired 4,570,776 shares, representing approximately 9.14% of the equity interest in Activation Group from Beijing Sequoia at a cash consideration of RMB73,132,416, which had been determined by reference to the initial investment costs of Beijing Sequoia and its investment return. The consideration was settled in full on 5 September 2019 and the register of members of Activation Group was updated on 5 September 2019.

Immediately after the abovementioned acquisitions and as at the Latest Practicable Date, Activation Group was owned as to 93% by Activation International and 7% by Yuyao Investment, and was an indirect non-wholly owned subsidiary of our Company.

Activation Events BJ

Activation Events BJ was established on 13 March 2012 as a limited liability company under the laws of the PRC with a registered capital of US\$150,000. As at the Latest Practicable Date, Activation Events BJ had a registered capital of RMB10 million. It is principally engaged in the provision of experiential marketing for the automobile industry. At the time of its establishment, it was wholly owned by Fresh Live Holdings Limited (新源控股有限公司), a BVI company owned as to approximately 33.33% by each of Mr Lau, Mr. Ng and Mr. So.

On 10 December 2013, Activation Business Consultancy acquired the entire equity interest in Activation Events BJ from Fresh Live Holdings Limited (新源控股有限公司) for a consideration of RMB421,500 using its own internal resources. Such consideration was determined between the parties based on the net asset value of Activation Events BJ as at 31 December 2012. The transfer was completed on 18 March 2014 and Activation Events BJ became wholly owned by Activation Business Consultancy.

As at the Latest Practicable Date, Activation Events BJ was an indirect non-wholly owned subsidiary of our Company.

Activation Digital

Activation Digital was established on 11 July 2012 as a limited liability company under the laws of the PRC with a registered capital of RMB500,000. It is principally engaged in the provision of digital and brand communication services. At the time of establishment, it was owned as to 40% by Mr. Tu, and 30% and 30% by two Independent Third Parties. As at the Latest Practicable Date, Activation Digital had a registered capital of RMB5 million.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

In order for our Group to expand into the digital business, on 12 May 2014, Activation Business Consultancy acquired 65% equity interest in Activation Digital from Mr. Tu for a consideration of RMB1,816,307 using its own internal resources. The consideration was agreed between the parties after an arm's length negotiation and determined by reference to the net asset value of Activation Digital as at 30 April 2014. The acquisition was completed on 16 May 2014 and Activation Digital was owned as to 65% by Activation Business Consultancy, 18.2% by Aixi Investment and 16.8% by Aijin Investment.

On 30 July 2015, Activation Business Consultancy acquired 18.2% and 16.8% equity interest in Activation Digital from each of Aixi Investment and Aijin Investment for a consideration of RMB389,710 and RMB359,732, respectively. The consideration was determined by the parties based on the net asset value of Activation Digital as at 31 May 2015. The acquisition was completed on 11 August 2015 and Activation Digital became wholly owned by Activation Business Consultancy. As a result of the acquisition, Mr. Tu from Activation Digital had joined us and eventually become our senior management and jointly managed the business of Activation Digital with Ms. Wong and Mr. Choi since then.

As at the Latest Practicable Date, Activation Digital was an indirect non-wholly owned subsidiary of our Company.

Activation Events HK

Activation Events HK was incorporated on 11 July 2013 as a limited company in Hong Kong. It is principally engaged in the provision of experiential marketing in Hong Kong and Macau. Upon its incorporation, Activation Events HK had an issued share capital of HK\$1,000 divided into 1,000 ordinary shares and it was owned as to 85% by Activation Group Limited, a Hong Kong company ultimately owned by Mr. Ng, 7.5% by Mr. Shaw and 7.5% by Ms. Cheng.

On 22 November 2013, Activation Group Limited transferred 850 shares of Activation Events HK to Activation Business Consultancy for a consideration of HK\$850. The consideration was based on the then issued share capital of Activation Events HK. After the share transfer, Activation Events HK was owned as to 85% by Activation Group, 7.5% by Mr. Shaw and 7.5% by Ms. Cheng.

On 17 September 2015, each of Mr. Shaw and Ms. Cheng transferred 75 shares of Activation Events HK to Activation Business Consultancy for a consideration of HK\$75. The consideration was based on the then issued share capital of Activation Events HK. After the share transfer, Activation Events HK was wholly owned by Activation Business Consultancy.

On 21 June 2017, Activation Events HK allotted and issued 6,000,000 shares for cash at HK\$1 each to Activation Group. After the allotment, the issued share capital of Activation Events HK was HK\$6,001,000 divided into 6,001,000 ordinary shares.

As at the Latest Practicable Date, Activation Events HK was an indirect non-wholly owned subsidiary of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Activation PR

Activation PR was established on 30 September 2013 as a limited liability company under the laws of the PRC with a registered capital of RMB1 million. As at the Latest Practicable Date, Activation PR had a registered capital of RMB1 million. It is principally engaged in the provision of public relation services. At the time of its establishment, it was owned as to 70% by Mr. Ng and 30% by Mr. Bao.

On 20 December 2013, Mr. Ng transferred his 70% equity interest in Activation PR to Activation Business Consultancy for a consideration of RMB0.7 million. Such consideration was determined between the parties with reference to the registered capital of Activation PR. The acquisition was completed on 20 December 2013, and Activation PR became owned as to 70% by Activation Business Consultancy and 30% by Mr. Bao.

On 14 July 2015, Mr. Bao transferred his 30% equity interest in Activation PR to Activation Business Consultancy for a consideration of RMB1.75 million. Such consideration was determined with reference to the net asset value of Activation PR as at 30 June 2015. The acquisition was completed on 20 July 2015, and Activation PR became wholly owned by Activation Business Consultancy and the business of Activation PR has been jointly managed by Mr. Bao and Ms. Wong since then.

As at the Latest Practicable Date, Activation PR was an indirect non-wholly owned subsidiary of our Company.

Activation Project 23

Activation Project 23 was established on 23 September 2014 as a limited liability company under the laws of the PRC with a registered capital of RMB500,000. As at the Latest Practicable Date, Activation Project 23 had a registered capital of RMB833,300. It is principally engaged in the provision of experiential marketing for local luxury brands in the PRC. At the time of establishment, it was owned as to 60% by Cui Xingdi (崔杏娣) and 40% by Zhang Ying (張櫻), two Independent Third Parties. On 5 April 2017, Cui Xingdi (崔杏娣) transferred her 60% equity interest in Activation Project 23 to Zhang Ying (張櫻) for nil consideration. The acquisition was completed on 21 April 2017 and Activation Project 23 became wholly owned by Zhang Ying (張櫻).

On 1 June 2017, it was resolved by a sole shareholder's resolution of Activation Project 23 to increase the registered capital of Activation Project 23 from RMB500,000 to RMB833,330 by way of additional cash contribution by Activation Group and such capital increase was completed on 5 July 2017. Following the capital increase, Activation Project 23 was owned as to 40% by Activation Group and 60% by Zhang Ying (張櫻).

In order to develop into the market for experiential marketing of local luxury brand in the PRC, on 1 August 2017, Activation Group had entered into an equity transfer agreement with Zhang Ying (張櫻), pursuant to which Activation Group acquired 20% of the equity interest in Activation Project 23 from Zhang Ying (張櫻) for a consideration of RMB1.1 million. Such consideration was agreed between the parties after an arm's length negotiation and determined by reference to the net asset value of Activation Project 23 as at 30 April 2017. The acquisition was completed on 10 November 2017. Following the acquisition, Activation Project 23 was owned as to 60% by Activation Group and 40% by Zhang Ying (張櫻). The capital increase of

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

40% equity interest on 5 July 2017 and the acquisition of 20% equity interest on 1 August 2017 in Activation Project 23 by Activation Group were considered as linked transactions. As a result, Activation Project 23 had neither been accounted for as a subsidiary nor an associated company of our Company since 5 July 2017 (being the completion date for the capital increase) until 10 November 2017, when our Group obtained control of Activation Project 23 and Activation Project 23 has been accounted for as a subsidiary of our Company since then.

As at the Latest Practicable Date, Activation Project 23 was an indirect non-wholly owned subsidiary of our Company.

Activation Sports Management

Activation Sports Management was established on 29 January 2015 as a limited liability company under the laws of the PRC with a registered capital of RMB6 million. As at the Latest Practicable Date, Activation Sports Management had a registered capital of RMB6.66 million. It is principally engaged in the management and operation of LaLiga IP. At the time of establishment, it was owned as to 90% by Activation Business Consultancy and 10% by Mak Ho Pong (麥浩邦), an Independent Third Party. On 11 November 2015, Mak Ho Pong (麥浩邦) transferred his 10% equity interest in Activation Sports Management to Activation Business Consultancy for a consideration of RMB600,000. Such consideration was determined based on the then registered capital of Activation Sports Management. The acquisition was completed on 17 March 2016.

On 15 August 2017, it was resolved by a sole shareholder's resolution of Activation Sports Management to increase the registered capital of Activation Sports Management from RMB6 million to RMB6.66 million by way of additional cash contribution by Ms. Zhou and such capital increase became effective on 30 August 2017. Following the capital increase, Activation Sports Management was held as to 90.09% by Activation Group and 9.91% by Ms. Zhou.

As at the Latest Practicable Date, Activation Sports Management was an indirect non-wholly owned subsidiary of our Company.

Activation Sports Development

Activation Sports Development was established on 7 July 2015 as a limited liability company under the laws of the PRC with a registered capital of RMB1 million. As at the Latest Practicable Date, Activation Sports Development had a registered capital of RMB5 million. It is principally engaged in the management and operation of La Tour de France IP. At the time of establishment, it was owned as to 85% by Activation Business Consultancy and 15% by Ms. Zhou.

On 28 October 2015, Ms. Zhou transferred her 15% equity interest in Activation Sports Development to Activation Business Consultancy for a consideration of RMB150,000. Such consideration was determined between the parties on an arm's length basis with reference to the then registered capital of Activation Sports Development then owned by Ms. Zhou. The acquisition was completed on 2 November 2015 and Activation Sports Development became wholly owned by Activation Business Consultancy.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 1 March 2017, it was resolved by a sole shareholder's resolution of Activation Sports Development to increase the registered capital from RMB1 million to RMB5 million. Each of Activation Group, Ms. Zhou and Zou Cheng (鄒成), the then employee of our Group had subscribed for the newly increase registered capital of RMB3 million, RMB0.5 million and RMB0.5 million, respectively. Such capital increase became effective on 20 March 2017 and Activation Sports Development became owned as to 80% by Activation Group, 10% by Ms. Zhou and 10% by Zou Cheng (鄒成).

As at the Latest Practicable Date, Activation Sports Development was an indirect non-wholly owned subsidiary of our Company.

Activation Entertainment

Activation Entertainment was established on 23 June 2016 as a limited liability company under the laws of the PRC with a registered capital of RMB1 million. As at the Latest Practicable Date, Activation Entertainment had a registered capital of RMB60 million. It is principally engaged in entertainment marketing and program. Upon its establishment, it was owned as to 70% by Activation Group and 30% by Guo Chunyan (郭春艷), an Independent Third Party. As Guo Chunyan (郭春艷) did not inject capital into Activation Entertainment, on 31 October 2018, Guo Chunyan (郭春艷) transferred her 30% equity interest in Activation Entertainment to Activation Group for nil consideration. The acquisition was completed on 30 November 2018 and Activation Entertainment became wholly owned by Activation Group.

As at the Latest Practicable Date, Activation Entertainment was an indirect non-wholly owned subsidiary of our Company.

Activation Insight

Activation Insight was established on 8 July 2016 as a limited liability company under the laws of the PRC with a registered capital of RMB2 million. It is principally engaged in Big Data analysis and implementation. Upon its establishment and up to the Latest Practicable Date, it was owned as to 70% by Activation Group and 30% by Huayuan Data Technology (Shanghai) Co., Ltd* (華院數據技術(上海)有限公司), an Independent Third Party.

As at the Latest Practicable Date, Activation Insight was an indirect non-wholly owned subsidiary of our Company.

Prior listing of shares of Activation Group on, and withdrawal thereof from, the NEEQ

On 24 June 2016, Activation Group was listed on NEEQ under the stock code of 837732 with a registered capital of RMB50 million. For the overall strategic development and better management of our Group, on 25 December 2017, Activation Group passed a shareholders' resolution to approve the application for withdrawal of listing of its shares on the NEEQ. Subsequently, in January 2018, NEEQ issued a notice for approval of withdrawal of listing of Activation Group. Since then, shares of Activation Group has ceased to be listed on NEEQ. Based on the last trading price of RMB40 and the total number of issued shares of 50 million immediately prior to the withdrawal of listing of Activation Group from the NEEQ, the market capitalisation of Activation Group was approximately RMB2 billion. Upon the withdrawal of listing, Activation Group's registered capital remained to be RMB50 million. As confirmed by

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

our PRC Legal Advisers, the withdrawal of listing of Activation Group from the NEEQ was duly completed and the necessary approval had been obtained. Our Directors confirmed and the Sole Sponsor concurred that (i) during the period of quoting on NEEQ, Activation Group has not been subject to any investigations or disciplinary actions by any regulatory authority nor any material breach of the relevant rules governing NEEQ; and (ii) there is no matter that needs to be brought to the attention of the regulators and investors in relation to the listing of Activation Group and the withdrawal of listing from NEEQ apart from those mentioned in here. To the best of our Directors' knowledge, none of the then directors of Activation Group was involved in any material breach or suspected breach of the applicable rules or regulations of the NEEQ.

After the withdrawal of listing and in preparation for the Listing, our Group underwent the Reorganisation, pursuant to which our Company became the holding company of our principal business. Having considered that NEEQ is a market in the PRC open to qualified investors only and it currently has a low trading volume, our Directors believe that the Listing will benefit our Group by providing a fundraising platform for our Group with respect to our operations and future strategic development, and the net proceeds to be received by us from the Global Offering will provide capital to our Company to facilitate such operations and expansion. Our Directors believe that the trading liquidity and valuation of the Shares of our Company can be improved by the Listing. Please refer to the section headed "Future Plans and Use of Proceeds – Reasons for Listing" for further details of the reasons to apply for Listing.

Prior A-shares listing attempt

For the purpose of considering the feasibility of listing of Activation Group by way of A shares, in September 2017, Activation Group engaged Huatai United Securities Co., Ltd (華泰聯合證券有限責任公司) ("**Huatai**") to act as its sponsor to undergo a tutoring process (輔導期) for the purpose of, among others, the provision of training to the relevant directors, senior management and controlling shareholders on the relevant laws and regulations in relation to the A shares listing requirement and improvement of the internal control system of Activation Group for the preparation of its proposed A-shares listing ("**A Shares Listing Attempt**").

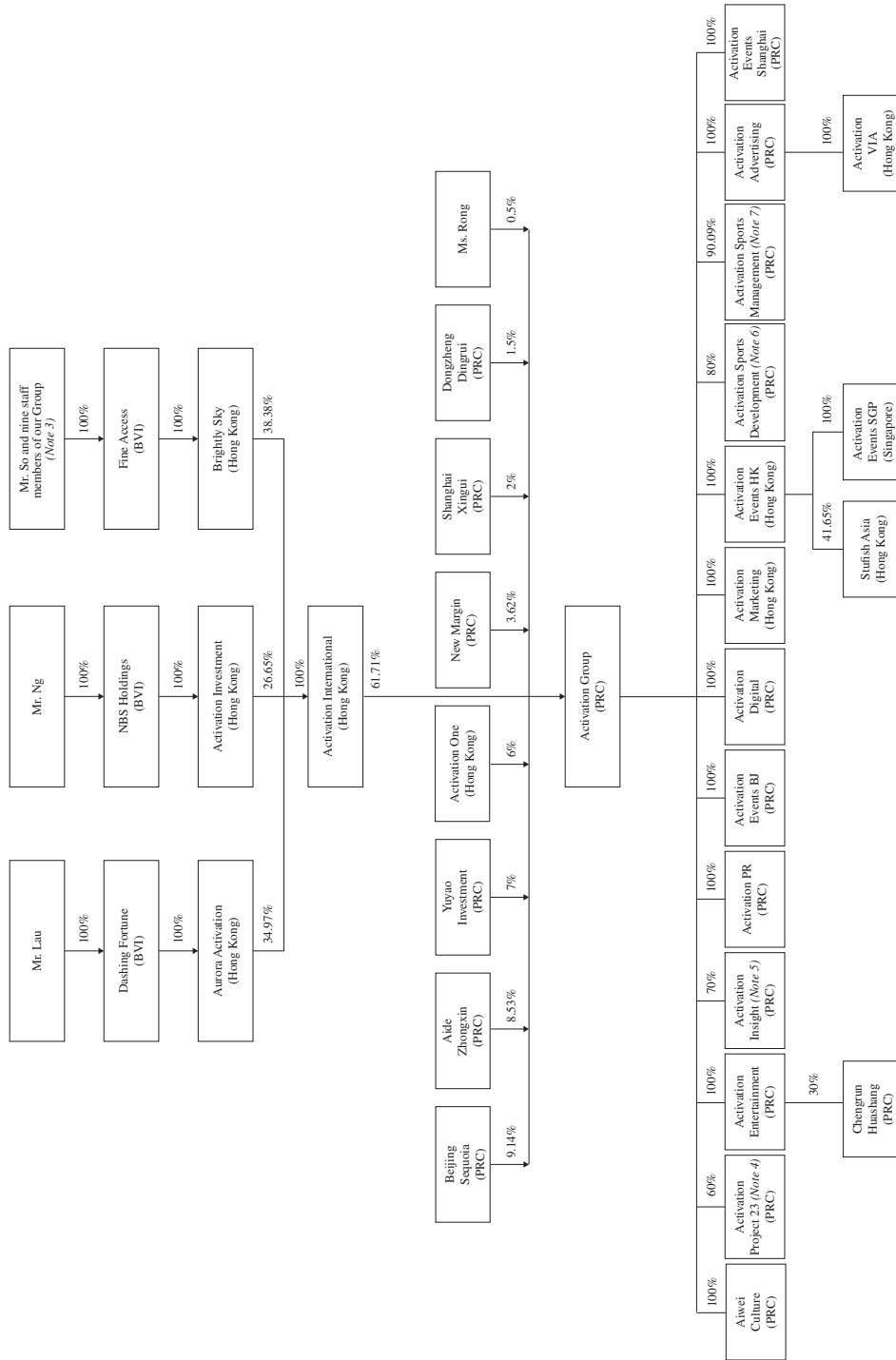
During the period from September 2017 to April 2018, Huatai had made the relevant filings to the CSRC Shanghai Regulatory Bureau ("**CSRC Shanghai Office**") with information concerning the Activation Group, which includes, among others, the business nature, shareholding structure and background of controlling shareholders and the withdrawal of listing from the NEEQ. Up to the Latest Practicable Date, as advised by our Directors, Activation Group had not submitted any filing of A shares listing application to the CSRC Shanghai Office.

Due to the general market sentiment and change in the overall strategic development of our Group, on 18 March 2019, our Group had decided to withdraw the A Shares Listing Attempt and had ceased the engagement with Huatai. To the best knowledge of our Directors, neither CSRC (including its local offices) nor Huatai had raised any specific comments or issues on Activation Group or the A Shares Listing Attempt during the tutoring process.

Our Directors and the Sole Sponsor are of the view that the A Shares Listing Attempt had no adverse implication on the Listing and they are not aware of any matters in relation to the A Shares Listing attempt which should be brought to the investors' and regulators' attention and may affect the suitability of our Company to list the Shares on the Stock Exchange.

THE REORGANISATION

Immediately prior to the Reorganisation, the structure of our Group was as follows:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Notes:

1. All percentages shown in this chart are approximate figures.
2. The following table summarises the brief details of our Company and the subsidiaries of our Company as at the Latest Practicable Date:

Name of Group companies	Date of incorporation	Place of incorporation	Principal activities
Our Company	27 February 2019	Cayman Islands	Investment holdings
Activation Events HK	11 July 2013	Hong Kong	Experiential marketing in Hong Kong and Macau
Activation Marketing	28 October 2015	Hong Kong	Inactive
Activation VIA	24 November 2015	Hong Kong	Inactive
Activation Group	22 November 2013	The PRC	Experiential marketing in the PRC
Activation Events BJ	13 March 2012	The PRC	Experiential marketing for the automobile industry
Activation Digital	11 July 2012	The PRC	Digital and brand communication services
Activation PR	30 September 2013	The PRC	Public relation services
Activation Project 23	23 September 2014	The PRC	Experiential marketing for local luxury brands in the PRC
Activation Sports Management	29 January 2015	The PRC	Management and operation of LaLiga IP
Activation Sports Development	7 July 2015	The PRC	Management and operation of La Tour de France IP
Activation Entertainment	23 June 2016	The PRC	Entertainment marketing and program
Activation Insight	8 July 2016	The PRC	Big Data analysis and implementation
Aiwei Culture	2 November 2016	The PRC	Inactive
Activation Events Shanghai	10 June 2019	The PRC	Inactive
Activation Advertising	20 April 2015	The PRC	Inactive
Activation Events SGP	5 March 2014	Singapore	Experiential marketing in Singapore

3. Fine Access was owned as to approximately 45.74% by Mr. So, 17.73% by Mr. Chan, 14.73% by Ms. Low, 7.87% by Ms. Wong, 3.41% by Ms. Cheng, 3.41% by Mr. Shaw, 4.42% by Mr. Tu, 1.89% by Mr. Choi, 0.39% by Chan Chun Ming, the creative director of Activation Digital and 0.39% by Wu Ssu Yu, the planning director of Activation Digital, respectively.
4. The remaining 40% equity interest in Activation Project 23 was held by Zhang Ying (張櫻), an Independent Third Party.
5. The remaining 30% equity interest in Activation Insight was held by Huayuan Data Technology (Shanghai) Co., Ltd* (華院數據技術(上海)有限公司), an Independent Third Party.
6. The remaining 20% equity interest in Activation Sports Development was held as to 10% by each of Ms. Zhou and Zou Cheng (鄒成), the then employee of our Group.
7. The remaining 9.91% equity interest in Activation Sports Management was held by Ms. Zhou.

Corporate restructuring

To rationalise our Group's structure in preparation for the Listing, our Group underwent various corporate restructuring as more particularly described as follows:

(1) Repurchase and allotment of shares in Brightly Sky

Prior to the corporate restructuring, Brightly Sky was wholly owned by Fine Access, a company incorporated in the BVI which was owned as to about 45.7% by Mr. So, a former director of Activation Group and an aggregate of about 54.3% by other nine staff members including our executive Directors, senior management and other key personnel of our Group. Fine Access and Brightly Sky do not have any business operation. They were incorporated as a share incentive platform for our director, senior management and key personnel of our Group. The then management of our Group from time to time made decision for adjustments to the interest held by the then shareholders in Fine Access (including the allocation for newly awarded shares or re-allocation of shares held by departing staff) based on their performance. Given the nature of interests held by these staff members of our Group, no agreements or arrangement had been entered into among the shareholders of Fine Access regarding their relationship in Fine Access, the affairs of Brightly Sky, and/or the exercise of Brightly Sky's voting rights in Activation International.

Mr. So was an ex-colleague of Mr. Ng and Mr. Lau and became acquainted with Mr. Lau when he joined Aibosi Weixuan in 2008, and became acquainted with Mr. Ng when Mr. Ng joined Aibosi Weixuan in November 2010. Mr. So joined our Group as a creative director of Activation Business Consultancy in January 2014 and subsequently became the general manager of Activation Events in December 2016. In March 2018, Mr. So resigned and ceased to be an employee of our Group due to his personal reasons. Similar to some of the other senior management of our Group, Mr. So had entered into an agreement with Fine Access and Activation Group in May 2014 pursuant to which Mr. So had agreed to transfer his shares in Fine Access to the Controlling Shareholders or such third party as they may direct at nil consideration upon, among others, (i) voluntary termination of his employment with Activation Group, (ii) termination of his employment by Activation Group for reasons such as material breach of the internal policy of our Group, or (iii) any breach of his confidentiality obligations or non-compete undertakings, at any time before the initial public offering and listing of the shares of Activation Group in onshore or offshore stock exchange.

After the resignation of Mr. So, despite the repeated requests by Mr. Ng, Mr. So had failed to cooperate and transfer his shares in Fine Access back to the Controlling Shareholders (or as they may direct) at nil consideration. In order to avoid any delay in the Reorganisation and the Listing that may be caused by any dispute between Mr. So and/or the shareholders of Fine Access (including the disputes as disclosed under the sub-paragraph headed "Legal disputes with Mr. So" below in this section), ACT Partners was jointly formed by ACT Holdings and the other then existing shareholders of Fine Access (other than Mr. So) on 10 December 2018 and, on 11 December 2018, (i) ACT Partners subscribed for one share in the capital of Brightly Sky for cash at HK\$1; and (ii) a repurchase agreement (the "**Repurchase Agreement**") was entered into between Fine Access and Brightly Sky pursuant to which Brightly Sky repurchased the one share held by Fine Access in Brightly Sky for cash at the consideration of HK\$1 ("**Repurchase**"). As a result, Brightly Sky became a wholly owned subsidiary of ACT Partners. As advised by our BVI Legal Adviser, the Repurchase Agreement constituted the valid and binding obligations of Fine Access enforceable in accordance with the terms thereof and the

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

likelihood of success of Mr. So if he is to commence any legal proceedings regarding the validity of the repurchase and/or his entitlement to the Shares of our Company through his shareholding in Fine Access is low and our Directors concurred with such view. Taking into account the advice from our BVI Legal Adviser, our Directors are also of the view that any such legal proceeding will not have any material impact on our business, financial condition or results of operations, as any such dispute should constitute a dispute among the direct or indirect shareholders of Fine Access and Brightly Sky only.

ACT Holdings is an investment holding company designated to hold any unallocated and/or unvested shares in ACT Partners to be awarded to our executive Directors, senior management and other key personnel of our Group as incentive or reward for their performance and contribution to our Group. Shares in ACT Partners held by ACT Holdings are held by a professional trustee under a discretionary trust for the benefit of our executive Directors, senior management and other key personnel of our Group and, after Listing, awards of shares in ACT Partners may be granted to the executive Directors, senior management and other key personnel of our Group based on the recommendation of the remuneration committee of the Board and the discretion of the Board.

As at the Latest Practicable Date, the respective board of directors of Brightly Sky and ACT Partners comprised of four directors, two of which were nominated by other members of ACT Partners while the remaining two were nominated by ACT Holdings. Any decision in respect of the exercise of the voting rights and distribution of dividends by Brightly Sky after the Listing shall be made by the board of directors of Brightly Sky.

As shares of ACT Holdings are indirectly held by the professional trustee under the discretionary trust which will administer the award of shares in ACT Partners to be made by our Company, the remuneration committee of the Board, the majority members of which will be our independent non-executive Directors, will decide on the nomination and removal of the two representatives to be nominated by ACT Holdings as directors of Brightly Sky. In exercising their voting powers in the board of Brightly Sky, these two representatives should act in accordance with the instruction by the Board from time to time and, in the event of any potential or actual conflict of interests between our Company and any of such representatives (in their own personal capacity) in relation to the exercise of voting right at the board of Brightly Sky on any particular transaction, the relevant representative(s) (if being our Directors) will be required to abstain from voting at the relevant Board resolution for giving such instruction to these representatives. Our remuneration committee may also exercise its discretion to nominate another representative to act as director of Brightly Sky in order to safeguard our interest and to avoid any conflict of interest.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Despite that immediately prior to the Reorganisation, Activation International, being the then holding company of our Group, was owned as to approximately 38.38% by Brightly Sky, neither Brightly Sky, Mr. So nor the other shareholders of Fine Access, ACT Partners or Brightly Sky would be regarded as our controlling Shareholders or a group of controlling Shareholders with the Controlling Shareholders based on the following reasons:

- (1) the Controlling Shareholders, who have been acting in concert since the establishment of our Group and throughout the Track Record Period, held more than 50% interest in the entire issued share capital of, and had statutory control in, Activation International. On the other hand, Brightly Sky, Fine Access and (after the Repurchase) ACT Partners, being a share incentive platform for our directors, senior management and key personnel of our Group, did not have any shareholders' agreement or investors' rights agreement with the Controlling Shareholders regarding their relationship in Activation International and/or our Group, and no other special rights have been granted to Brightly Sky, and the articles of association of Activation International do not contain any such special rights to Brightly Sky. By virtue of their statutory control over Activation International, the Controlling Shareholders had controlled the decision making process of Activation International and that of our Group throughout the Track Record Period;
- (2) immediately after completion of the Reorganisation, our Company has become the holding company of our Group, and the Controlling Shareholders, in aggregate, hold approximately 45.35% of the issued share capital of our Company and remain to be our Controlling Shareholders. On the other hand, Brightly Sky holds less than 30% of the issued share capital of our Company. No shareholders' agreement or investors' rights agreement has been entered into between Brightly Sky, ACT Partners and/or its shareholders with the Controlling Shareholders granting any special rights to Brightly Sky, and our Articles do not contain any such special rights to Brightly Sky;
- (3) there is or was no acting in concert arrangement between the Controlling Shareholders on one part and Brightly Sky, Mr. So or the other shareholders of Fine Access, ACT Partners or Brightly Sky on the other part;
- (4) none of Mr. So or the other shareholders of Fine Access or ACT Partners has control over 50% of the entire issued shares in, or the composition of a majority of the board of directors of, Fine Access, ACT Partners or Brightly Sky, and therefore none of them has control of Brightly Sky. All decisions on Fine Access or (as the case may be) ACT Partners are made on a consensus basis among their shareholders, and there is or was no acting in concert arrangement among them; and

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (5) except for Ms. Cheng and Mr. Shaw who are married couple and hold in aggregate only approximately 6.82% of the issued shares in Fine Access or (as the case may be) ACT Partners, Mr. So and other shareholders of Fine Access or (as the case may be) ACT Partners are not “acting in concert” with each other for the purposes of the Takeovers Code, as they have not formed any agreement or understanding (whether formal or informal) to actively operate to obtain control of Fine Access or (as the case may be) ACT Partners, and they are independent from and unrelated with each other through the acquisition by any of them of voting rights of Fine Access or (as the case may be) ACT Partners.

Legal disputes with Mr. So

Subsequent to the resignation of Mr. So in March 2018, Mr. So had initiated the following legal proceedings against our Group:

- (1) In June 2018, Mr. So has brought a claim in the Shanghai Labour Dispute Arbitration Commission (上海市勞動人事爭議仲裁委員會) in relation to the failure of Activation Group to enter into employment contract with him in accordance with the relevant PRC laws and regulations during the period between 2 February 2017 to 31 December 2017. The case has been settled for a sum of RMB80,000 in November 2018.
- (2) In September 2018, Mr. So brought an action at People’s Court of Changning District in Shanghai (上海市長寧區人民法院) against Activation Group and Activation International for a confirmation by the court that he is entitled to 10.83% of shareholding in Activation Group. As at the Latest Practicable Date, the court hearing for this case had been scheduled to take place on 31 January 2020. In the event that the court decides in favour of Mr. So in respect of his claim, our Group’s interest in Activation Group will be reduced so that Activation Group will be owned as to 82.17% by Activation International, 7% by Yuyao Investment and 10.83% by Mr. So. As advised by our PRC Legal Advisers, as Mr. So is not a registered shareholder of Activation Group as per the articles of association of Activation Group, and there is no complete or sufficient evidence which directly support Mr. So’s claim of his direct shareholding of 10.83% in Activation Group, the likelihood that the court will uphold this action by Mr. So by confirming Mr. So’s direct shareholding in Activation Group would be low. Taking into account the advice from our PRC Legal Advisers, our Directors consider that the likelihood of success of this action by Mr. So is low. In the unlikely event that Mr. So is successful in his claim, our Group’s attributable interests in Activation Group would be reduced by 10.83%.

In addition, to the best of our Directors’ knowledge and information, some of the shareholders of Fine Access (including Mr. Chan and Ms. Low, who are our executive Directors, and other shareholders who are also shareholders of ACT Partners) received a letter from Mr. So in late November 2019, threatening claims against these shareholders

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

for loss and damage suffered by Mr. So as a result of their approval of the Repurchase by way of the shareholders' resolutions of Fine Access at an undervalue. As advised by our BVI Legal Adviser, the allegations of Mr. So are without merit given, among other factors, that Mr. So should have transferred his shares in Fine Access back to the Controlling Shareholders (or as they may direct) at nil consideration following his resignation in March 2018.

Separately, Mr. So also commenced a civil claim against, among others, Mr. Ng, our executive Director and the joint-chairman of our Board, in late November 2019 for repayment of an alleged outstanding personal debt owed by Mr. Ng to Mr. So for the principal amount of approximately RMB13.4 million. Mr. Ng advised our Directors that the claim is unfounded and he intended to contest the claim.

Up to the Latest Practicable Date, these disputes and claims by Mr. So against Mr. Ng and/or certain shareholders of Fine Access were still outstanding, and no judgment or settlement had been entered into by the court and/or among the relevant parties. Given that none of these legal actions or threatened legal actions are against our Group, our Directors consider that they will not have any material impact on our business, financial condition or results of operations.

As our Directors cannot foresee whether Mr. So will have any further legal action against our Group or will otherwise involve our Group in any other claims or legal actions, our Controlling Shareholders have entered into a Deed of Indemnity in favour of our Group whereby they have agreed to indemnify our Group in respect of any losses, claims, liabilities, damages, costs and expenses which may be suffered or incurred by us as a result of any legal dispute between our Group and Mr. So in connection with his resignation, his shareholding in Activation Group and/or the Reorganisation. Please refer to the section headed "Appendix IV – Statutory and General Information – Other Information – 17. Estate duty, tax and other indemnity" for further details of the Deed of Indemnity.

(2) Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company on 27 February 2019 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 15 October 2019. Please refer to the above paragraph headed "Establishment and Major Changes Concerning our Company and the Major Operating Subsidiaries of our Company – Our Company" in this section for information on the change in issued share capital of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(3) Incorporation of Activation Enterprise

Activation Enterprise was incorporated in the BVI as a limited company on 6 March 2019 with 50,000 authorised shares of US\$1 each. On 6 March 2019, Activation Enterprise allotted and issued, for cash at par, one share to our Company. Immediately after the allotment, the entire issued share capital of Activation Enterprise was owned by our Company.

(4) Acquisition of Activation International by Activation Enterprise

On 22 July 2019, Activation Enterprise acquired from each of Activation Investment, Brightly Sky and Aurora Activation the entire issued share capital of Activation International, in consideration of our Company allotting and issuing, credited as fully paid, an aggregate of 73,585,611 Shares, as to 19,611,426 Shares to Activation Investment, 28,238,499 Shares to Brightly Sky and 25,735,587 Shares to Aurora Activation. After the above transfer, the entire issued share capital of Activation International was owned by Activation Enterprise.

(5) Transfer of shares in Activation Group to Activation International from the Onshore Corporate Shareholders, Ms. Rong and Activation One

On 22 July 2019, Activation International entered into an equity transfer agreement with the Onshore Corporate Shareholders, Ms. Rong and Activation One pursuant to which Activation International acquired from them their respective equity interest in Activation Group which represented in aggregate approximately 22.15% equity interest in Activation Group, at an aggregate consideration of RMB37.66 million, which had been determined by reference to the net asset value of Activation Group as at 31 December 2018. The acquisition was approved by Shanghai Municipal Commission of Commerce of Changning District (上海市長寧區商務委員會) on 24 July 2019 and the register of members of Activation Group was updated on 5 August 2019. The consideration was settled in full on 12 September 2019.

(6) Subscription of Shares by Onshore Corporate Shareholders, Shanghai Rongyi and Activation One

On 22 July 2019, our Company entered into a subscription agreement with the Onshore Corporate Shareholders, Shanghai Rongyi and Activation One, pursuant to which each of the Onshore Corporate Shareholders, Shanghai Rongyi (as nominated by Ms. Rong to subscribe for the Shares as part of the Reorganisation) and Activation One had agreed to subscribe for the Shares of our Company. The number of Shares subscribed by the Onshore Corporate Shareholders, Shanghai Rongyi and Activation One and the subscription consideration are set out in the table below:

		Number of Shares	Share subscription consideration (RMB)
1	Aide Zhongxin	10,169,151	14,500,000
2	Activation One	7,154,911	10,200,000
3	New Margin	4,320,383	6,160,000
4	Shanghai Xingui	2,384,971	3,400,000
5	Dongzheng Dingrui	1,788,729	2,550,000
6	Shanghai Rongyi	596,243	850,000
	Total	26,414,388	37,660,000

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The subscription consideration was equivalent to the consideration paid by Activation International for the transfer of shares in Activation Group to Onshore Corporate Shareholders, Ms. Rong and Activation One on 22 July 2019, and was settled in full on 20 August 2019.

(7) Transfer of shares in Activation Group to Activation International from Beijing Sequoia

To the best knowledge of our Directors, as Beijing Sequoia did not wish to participate in the Reorganisation due to the uncertainty faced by Beijing Sequoia as to the Listing time and valuation of our Group when such divestment decision was made, of which our Directors are of the view that it is not unreasonable for Beijing Sequoia's decision to divest its investment in Activation Group before the Listing, on 26 July 2019, Activation International had entered into an equity transfer agreement with Beijing Sequoia pursuant to which Activation International shall acquire 4,570,776 shares, representing approximately 9.14% of the equity interest in Activation Group from Beijing Sequoia at a cash consideration of RMB73,132,416 which had been determined by reference to the initial investment costs of Beijing Sequoia and its investment return.

The consideration was settled in full on 5 September 2019 and the register of members of Activation Group was updated on 5 September 2019. Immediately after the completion of the share transfer, Beijing Sequoia, being a pre-IPO investor of our Group, ceased to have any interest in the shares of our Group.

As advised by our PRC Legal Advisers, we have obtained and completed all the requisite approvals, registration and/or filings formalities in all material aspects from the relevant PRC government authorities in relation to the share transfer of our PRC subsidiaries in the Reorganisation and the Reorganisation in the PRC has been conducted in compliance with applicable PRC laws and regulations.

PRC REGULATORY REQUIREMENTS

M&A Rules

According to the Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investor (關於外國投資者併購境內企業的規定) (the “**M&A Rules**”), which was jointly promulgated by MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the CSRC, and the SAFE on 8 August 2006, and amended on 22 June 2009, “merger and acquisition of domestic enterprises by foreign investors” referred to in the M&A Rules shall mean any of the following where a foreign investor: (i) purchases the equity interest of a shareholder in a domestic non-foreign-invested enterprise (the “**domestic enterprise**”); (ii) subscribes for increased capital of a domestic enterprise so as to convert such domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases and operates the assets of a domestic enterprise by agreement; or (iv) purchases the assets of a domestic enterprise by agreement and

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

then invests such assets to establish a foreign-invested enterprise and operates the assets. According to Article 11 of the M&A Rules, the merger and acquisition of a domestic enterprise with or by a domestic enterprise, enterprise or individual, that has related party relationship with the target company, in the name of an overseas company legitimately incorporated or controlled by the domestic enterprise, enterprise or individual, shall be subject to examination and approval by MOFCOM. As advised by our PRC Legal Advisers, as Activation Group is not a domestic enterprise as defined in Article 2 of the M&A Rules, the acquisition of 31.29% of equity interest in Activation Group by Activation International is not subject to approval by Ministry of Commerce of the PRC.

ODI approval

Pursuant to the *Measures for the Administration of Overseas Investment* (《境外投資管理辦法》) which was promulgated by the MOFCOM on 6 September 2014 and became effective on 6 October 2014, the *Administrative Measures for Overseas Investment by Enterprises* (《企業境外投資管理辦法》) which was promulgated by the National Development and Reform Commission on 26 December 2017, and became effective on 1 March 2018, the *Circular of SAFE on Further Simplifying and Improving the Direct Investment – related Foreign Exchange Administration Policies* (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (“**Circular 13**”) and other rules (**collectively, “ODI Rules”**), a domestic institution is required to undergo relevant procedures for offshore investment prior to its overseas direct investment and obtain relevant record-filing, approval, certificate or permit.

The Onshore Corporate Shareholders and Shanghai Rongyi have completed the registration/record-filing with Shanghai Municipal Commission of Commerce, Shanghai Development and Reform Commission and the local bank in August 2019 in accordance with the ODI Rules in relation to their outbound direct investments as domestic institutions.

Circular 37

According to the *Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles* (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or Circular 37, as modified by the *Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or Circular 13, PRC residents, including PRC individuals, are required to file foreign exchange registration with designated banks before it injects assets or equity interest in an offshore special purpose vehicle which is directly established or indirectly controlled by the PRC residents for the purpose of investment and financing. In addition, in the event that any change of basic information (including PRC resident shareholders, name and operation term) or any change involving material events (including increase or decrease in investment amount, share transfer or exchange, or merger or division) arises in respect of the registered offshore special purpose vehicle, the foreign exchange registration shall be updated. As advised by our PRC

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Legal Advisers, except for the Onshore Corporate Shareholders and Shanghai Rongyi, which have completed the registration/record-filing pursuant to the ODI Rules, none of the current beneficial owners of our Company should be subject to the registration and other requirements under Circular 37 (as modified by Circular 13) since they shall not be regarded as the PRC residents as defined under Circular 37, who contributes assets or equity interest in an offshore special purpose vehicle which is directly established or indirectly controlled by them for the purpose of investment and financing.

MAJOR DISPOSAL

Apart from the Reorganisation set out above, we also underwent certain disposal after the Track Record Period in line with our business strategy. Details of the disposal are set out below:

Disposal of Chengrun Huashang

Chengrun Huashang is a limited liability company established under the laws of the PRC on 4 September 2014. Immediately before the disposal of Chengrun Huashang, it was owned as to 30% by Activation Entertainment and 70% by an Independent Third Party.

Prior to its disposal, Chengrun Huashang was an agency principally engaged in artist management.

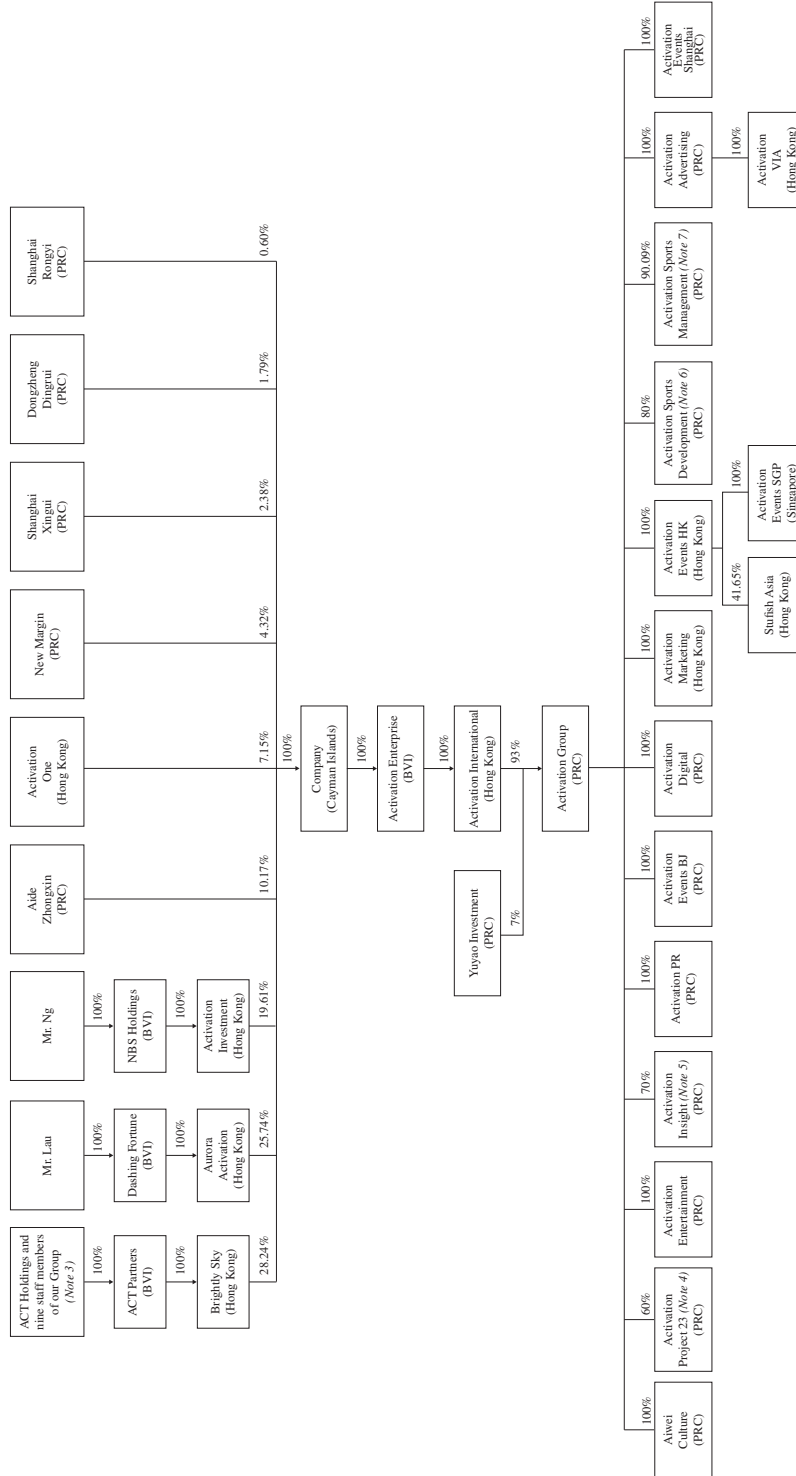
The key financial data of Chengrun Huashang were set out below:

	As at/For the year ended		As at/for the
	31 December		Six months
	2017	2018	ended
	RMB'000	RMB'000	30 June
	(unaudited)	(unaudited)	2019
			RMB'000
			(unaudited)
Revenue	3,834	5,112	1,988
Gross profit	3,834	3,451	1,763
Profit for the year/period	581	43	4
Net asset	504	2,740	2,744

As our Group wishes to focus on our core business, by an equity transfer agreement dated 10 September 2019, Activation Entertainment disposed of its 30% equity interest in Chengrun Huashang to Strait West Coast (Beijing) Cultural Media Co., Ltd* (海峽西岸(北京)文化傳媒有限公司), an Independent Third Party, for a consideration of RMB1,200,000. Such consideration was agreed between the parties after an arm's length negotiation and determined by reference to the net asset value of Chengrun Huashang as at 30 June 2019. The disposal had been completed on 21 October 2019 and settled on 18 December 2019.

CORPORATE STRUCTURE

The following chart sets out the shareholding structure of our Group immediately before completion of the Capitalisation Issue and the Global Offering:



Notes:

1. All percentages shown in this chart are approximate figures.

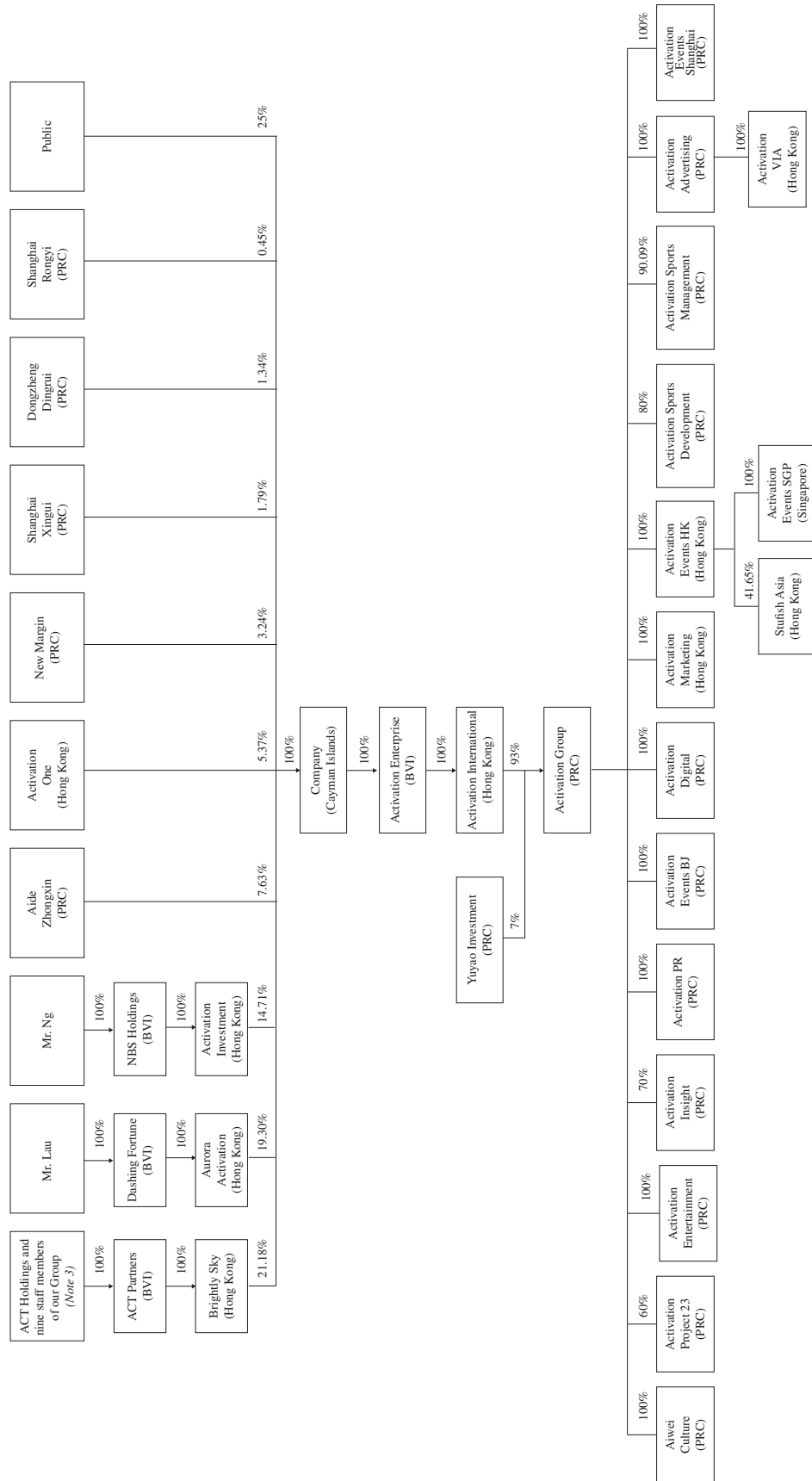
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

2. The following table summarises the brief details of our Company and the subsidiaries of our Company as at the Latest Practicable Date:

Name of Group companies	Date of incorporation	Place of incorporation	Principal activities
Our Company	27 February 2019	Cayman Islands	Investment holdings
Activation Enterprise	6 March 2019	BVI	Investment holdings
Activation International	31 August 2012	Hong Kong	Investment holdings
Activation Events HK	11 July 2013	Hong Kong	Experiential marketing in Hong Kong and Macau
Activation Marketing	28 October 2015	Hong Kong	Inactive
Activation VIA	24 November 2015	Hong Kong	Inactive
Activation Group	22 November 2013	The PRC	Experiential marketing in the PRC
Activation Events BJ	13 March 2012	The PRC	Experiential marketing for the automobile industry
Activation Digital	11 July 2012	The PRC	Digital and brand communication services
Activation PR	30 September 2013	The PRC	Public relation services
Activation Project 23	23 September 2014	The PRC	Experiential marketing for local luxury brands in the PRC
Activation Sports Management	29 January 2015	The PRC	Management and operation of LaLiga IP
Activation Sports Development	7 July 2015	The PRC	Management and operation of La Tour de France IP
Activation Entertainment	23 June 2016	The PRC	Entertainment marketing and program
Activation Insight	8 July 2016	The PRC	Big Data analysis and implementation
Aiwei Culture	2 November 2016	The PRC	Inactive
Activation Events Shanghai	10 June 2019	The PRC	Inactive
Activation Advertising	20 April 2015	The PRC	Inactive
Activation Events SGP	5 March 2014	Singapore	Experiential marketing in Singapore

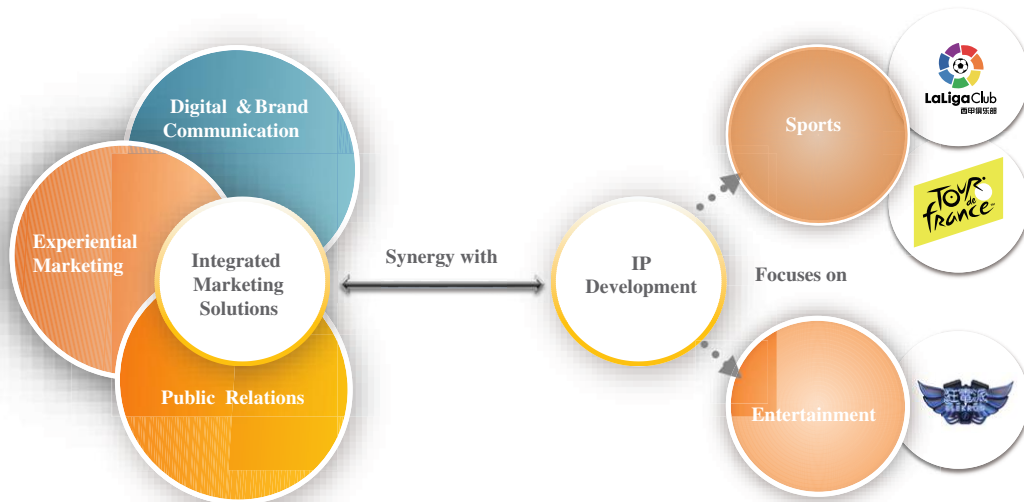
3. ACT Partners is owned as to approximately 45.74% by ACT Holdings, 17.73% by Mr. Chan, 14.73% by Ms. Low, 7.87% by Ms. Wong, 3.41% by Ms. Cheng, 3.41% by Mr. Shaw, 4.42% by Mr. Tu, 1.89% by Mr. Choi, 0.39% by Chan Chun Ming, the creative director of Activation Digital and 0.39% by Wu Ssu Yu, the planning director of Activation Digital, respectively. ACT Holdings is held under a trust for the benefit of our executive Directors, senior management and other key personnel of our Group pursuant to awards to be granted by our Company at the discretion of the Board from time to time.
4. The remaining 40% equity interest in Activation Project 23 was held by Zhang Ying (張櫻), an Independent Third Party.
5. The remaining 30% equity interest in Activation Insight was held by Huayuan Data Technology (Shanghai) Co., Ltd* (華院數據技術(上海)有限公司), an Independent Third Party.
6. The remaining 20% equity interest in Activation Sports Development was held as to 10% by each of Ms. Zhou and Zou Cheng (鄒成), the then employee of our Group.
7. The remaining 9.91% equity interest in Activation Sports Management was held by Ms. Zhou.

The following chart sets out the shareholding and corporate structure of our Group immediately upon completion of the Capitalisation Issue and Global Offering (assuming the Over-allotment Option is not exercised and taking no account of any Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued pursuant to the exercise of options to be granted under the Share Option Scheme):



OVERVIEW

We are a leading and fast growing integrated marketing solutions provider that focuses on the provision of (i) experiential marketing, (ii) digital and brand communication, and (iii) public relations services which mainly operates in Shanghai and Beijing with coverage in Greater China. According to the CIC Report, in 2018 we ranked first, accounting for approximately 6.3% of the market share, in the experiential marketing services for premium and luxury brands market in Greater China, the market where our Group is operating and which has a market size of approximately RMB7.9 billion. We also focus on tapping into the sports and entertainment IP development sector. Since 2016, we have started our IP development business for sports market where we entered into IP Cooperation Agreements with each of LaLiga and ASO for granting us exclusive rights to organise authorised events with LaLiga Club brand and Le Tour de France brand and other rights for marketing, sponsorship, merchandising and other uses in the PRC, subject to the terms of the respective IP Cooperation Agreements. In 2017, we also established Stufish Asia with Stufish Productions to tap into entertainment IP development business. It has been our Group’s mission to promote our clients’ premium and luxury brands and IPs establishment in Greater China and create value to our clients by offering them with integrated marketing solutions.



Our integrated marketing solutions comprise of (i) experiential marketing; (ii) digital and brand communication; and (iii) public relations. Through the projects we have designed, organised and managed, we believe that we are able to improve the awareness and reputation of the brands and products of our clients and thereby improving the sales and market share of the products with the ultimate goal of achieving significant brand building and promoting the unique value of their products among their targeted recipients.

As the leading experiential marketing services provider to international premium and luxury brands in Greater China, we provide a comprehensive range of marketing solutions to our clients including, but not limited to, creative design services for the event concept, event planning and management, event venue set-up (e.g. assembly of installations at the event, etc.) and event execution. Our role is to formulate marketing solutions based on the design briefs from our clients and to work together with them to implement our tailored design and execution event plan for their target customers. We also directly engage various suppliers as required for

BUSINESS

the event and ensure that the event is well set up to fit our clients' needs and at the same time in compliance with applicable laws and regulations. Experiential marketing events which include the launching of new products or product lines, opening of new shops, fashion shows, opening ceremonies, exhibitions, roadshows and driving experience tours, etc. are designed and promoted by us on behalf of our international premium and luxury brand clients.

Apart from providing experiential marketing services to clients, we also provide online digital and brand communication services to our clients. Our services include launching marketing campaigns for our clients on social media platforms such as Weibo, WeChat, 抖音 (Douyin), 小紅書 (Redbook), Facebook and Instagram. We also promote our clients' products in online platforms such as Tmall and we also assist our clients with the support of KOL engagement and digital media advertising, etc..

Our integrated marketing solutions also include the provision of public relations services to our clients which consists of premium and luxury brands. Our services include public relations strategic consultancy services, day to day client communications, media relationship management, liaison and celebrity coordination services.

Digital and brand communication and public relations services are usually provided together with our experiential marketing events where for example, in addition to coordinating a brand ambassador for an event project, digital campaign to support the brand communication and amplification is also provided. We believe strong synergies can be achieved among various marketing solutions offered by us.

Our integrated marketing solutions clients consist of international premium and luxury brands in the fashion and consumer products' industries as well as the automobile industry through which we have developed a stable client relationship. During the Track Record Period, we were involved in the designing and marketing of experiential marketing events for our clients and some of these brands include:

AUDEMARS PIGUET
Le Brassus

J.B.
BLANCPAIN
MANUFACTURE DE HAUTE HORLOGERIE

BURBERRY

BVLGARI


CARL F. BUCHERER
LUCERNE 1886

CHANEL

Chloé


DELVAUX

DIOR

FRED

GIORGIO ARMANI

GUCCI

LOEWE

LOUIS VUITTON

MaxMara


MONT
BLANC

PRADA

TIFFANY & CO.

TOM FORD

Van Cleef & Arpels


VERSACE



BMW


INFINITI


Mercedes-Benz

BUSINESS

Leveraging on our experience, capabilities and leading position in providing integrated marketing solutions, since 2016, our Group has also expanded into the business of IP development, which involves organising, promoting and running events in the PRC of which we have been granted with the licenses to use certain IP rights. For the sports IP development sector, we were granted with exclusive rights from LaLiga to use the brand of ‘LaLiga Club’ and from ASO to use the brand of ‘Le Tour de France’ in the PRC, to organise, promote and run authorised events under the brands. In the building and promotion of the LaLiga Club brand in the PRC, we have handled the marketing and promotion works for our investment of an online drama titled 《出線了，初戀》 in cooperation with Hunan Mango Entertainment Limited. We have also organised and operated youth trainings, fans gathering, develop a digital platform for LaLiga Club and manage the LaLiga Club PRC membership database. Furthermore, through the exclusive right granted by ASO, we organised Critérium races in Shanghai in 2017 and 2018, and L’Étape races in Changsha in 2017 and Beijing in 2018. In May 2019, we organised a L’Étape race in Zhuji, Zhejiang.

For the entertainment IP development sector, during the Track Record Period, we cooperated with Stufish Productions, a world recognised leader in the production of entertainment shows based in the United Kingdom, by investing into Stufish Asia in which we and some of our senior management together owned 49% and Stufish Productions owned 51%. Under the joint venture agreement, the business of Stufish Asia engages in expanding and developing live entertainment services, as well as producing and managing live events, in the PRC, Hong Kong, Macau, Taiwan and Singapore. Stufish Asia produced and operated its first live stunt show “ELĒKRŌN” at Studio City, Macau in 2019.

The following table sets forth the breakdown of our Group’s revenue by our business nature and our adjusted profit (non-HKFRS measures) during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000	2019 RMB'000
<i>Integrated marketing solutions</i>					
Experiential marketing services	304,340	382,579	514,721	212,267	195,800
Digital and brand communication services	38,504	51,363	108,204	39,261	45,398
Public relations services	15,596	18,972	23,006	6,257	12,388
	<u>358,440</u>	<u>452,914</u>	<u>645,931</u>	<u>257,785</u>	<u>253,586</u>
<i>IP development</i>					
Sports and entertainment services	3,374	39,552	38,404	–	19,463
	<u>361,814</u>	<u>492,466</u>	<u>684,335</u>	<u>257,785</u>	<u>273,049</u>
Profit for the year	38,489	25,459	43,517	16,742	22,915
Adjusted for listing expenses	–	–	–	–	5,539
Adjusted profit for the year (non-HKFRS measures)	<u>38,489</u>	<u>25,459</u>	<u>43,517</u>	<u>16,742</u>	<u>28,454</u>

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have been the key factors for our success and will enable us to maintain our market position and capture the anticipated future growth in our target markets.

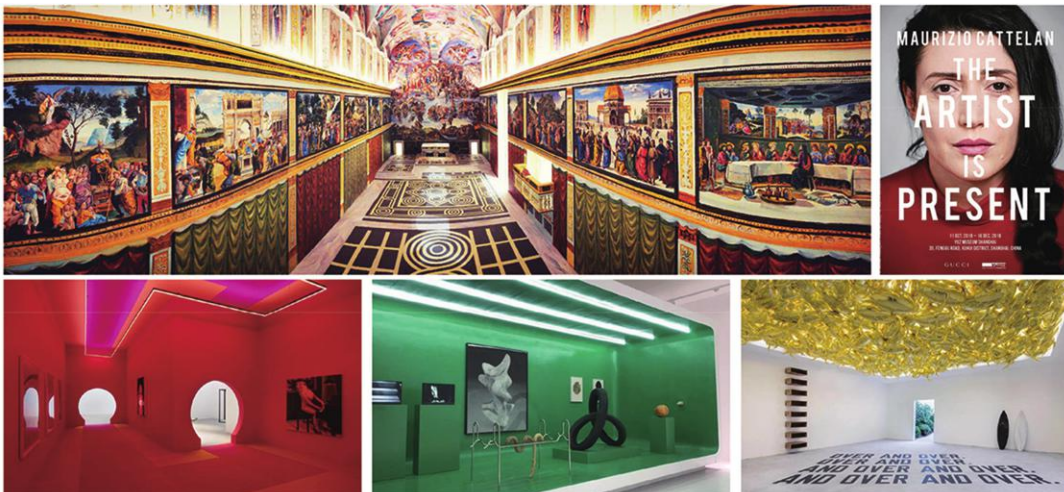
The leading and fast growing experiential marketing service provider for premium and luxury brands market in Greater China

According to CIC, we ranked first, in terms of revenue generated and market share, accounting for approximately 6.3% of the total market share in 2018 in experiential marketing services for premium and luxury brands market in Greater China, the market where our Group is operating and which has a market size of approximately RMB7.9 billion. Our revenue from experiential marketing services amounted to RMB514.7 million for FY2018.

In providing our experiential marketing services, we offer, interactive and innovative marketing solutions to our clients through a combination of performance, visual and audio effects in the event design and production. We provide a comprehensive range of marketing solutions to our clients including, but not limited to, creative design services for the event concept, event planning and management, event venue set-up (e.g. site set-up and on-site construction supervision, etc.) and event execution. Focusing on the requests of our clients and the features of the products being marketed, our role is to formulate marketing solutions based on the design briefs from our clients and to work together with them to implement our tailored design and execution event plan for their target customers. We also directly engage various suppliers as required for the event and ensure that the event is well set up to fit our clients' needs and also in compliance with applicable laws and regulations.

During the Track Record Period, we designed and promoted experiential marketing events for our international premium and luxury brand clients. Such events include the launching of new products, opening of new shops, fashion shows, opening ceremonies, exhibitions and roadshows and driving experience tours. Some of the landmark experiential marketing events organised by us include:

Gucci and Maurizio Cattelan – ‘The Artist Is Present’ Exhibition



Yuz Museum, Shanghai, 2018

Pradasphere Exhibition



Central Ferry Pier 4, Hong Kong, 2014

Mercedes-Benz AMG 43 Series Launch Event



International Expo City, Chengdu, 2017

BUSINESS

Our clients consist of international premium and luxury brands in the fashion industry as well as the automobile industry. We have maintained strong and stable relationships with most of our major clients, which have engaged our services on a recurring basis during the Track Record Period, which include international premium and luxury brands such as:



Our major clients consist of reputable international premium and luxury brands and we believe that the preservation of their reputation and brand image are some of the most important factors to consider in engaging a supplier for the provision of services. Leveraging on our track record of providing high quality, innovative and comprehensive marketing solutions to international premium and luxury brands, we believe that we have built up our name and reputation as being able to meet the expectations and requirements of our clients in the delivery of our services.

One stop integrated marketing solutions provider for international premium and luxury brands in the Greater China market

Our integrated marketing solutions cover different aspects of the marketing segment comprising of (i) experiential marketing services carried out mainly by Activation Group, Activation Events HK and Activation Events BJ; (ii) digital and brand communication services carried out mainly by Activation Digital; and (iii) public relations services carried out mainly by Activation PR. Through these broadly diversified marketing services, complemented by our experienced and effective professional team, we are able to offer innovative, multi-dimensional, comprehensive and high quality one stop integrated marketing solutions to our clients and thereby assist our clients to maximise their brand awareness.

BUSINESS

We believe we can achieve strong synergies among various marketing services which we offer. We are able to assist our clients to implement cross media marketing activities of their products through our integrated marketing solutions offering. For example, in an experiential marketing event, our digital and brand communication services can provide pre-event promotion through various digital social media platforms such as WeChat, Weibo, Redbook, Facebook and Instagram, etc. as well as on-site interactive services such as event RSVP and registration system and interactive digital photo/video booth experience. After the event, our digital and communication team can also provide a participation and behavioral analysis report through the authorised interaction data collected. On the other hand, during the event, we can also assist our clients to provide public relations services such as providing celebrity coordination services and on-site public relations shooting services, etc. Some of our landmark integrated marketing solutions provided to our clients include the following:

Michael Kors – Young Power Event



**Experiential marketing:
Design and production**



**Public Relations:
Guest invitation / Management**



**Digital and brand communication:
Interactive photo booth**

Tom Ford – Tom Ford Beauty Private Blend Experience



**Experiential marketing:
Design and production**



**Public Relations:
Event On-site Management,
media and celebrity invitation**



**Digital and brand communication:
Interactive program design
and installation**

BUSINESS

Our competitive digital and brand communication services enable us to offer big data and Internet of Things application to our clients. These Big Data related services are offered by our subsidiary Activation Insight, a PRC entity, which is owned as to 70% by Activation Group and 30% by Huayuan Data Technology (Shanghai) Co., Ltd (華院數據技術(上海)有限公司) as at the Latest Practicable Date and is specialised in big data applications. The application of big data and Internet of Things facilitates many aspects of digital marketing solutions. By extracting data from various sources, big data analysis can help detect changing trends and identify client demands that have not yet been discovered. Relying on tons of consumer data, Big Data serves as a tool in profiling potential target clients and displaying advertisements specifically to these clients by using an integrated algorithm in programmatic advertising purchases. In addition, performance can be tracked and evaluated to optimise marketing strategies and improve return on investment. Data such as time spent on sites, pages visited and basic rates can be recorded, collected and analysed to support customer relationship management and stimulate repeat purchases. For example, Activation Insight has provided targeted media placement solutions through demand side platform using our analysed profiling data.

Our Group usually offers these data analysis services together with our digital and brand communication marketing solutions to differentiate ourselves from our competitors. For example, on a single event or retainer basis, we would manage our client's website, Weibo or other specific online platforms and collect viewers browsing data and perform analysis therefrom if the client requests these value-added services. As at the Latest Practicable Date, we do not have any plan to provide purely big data and Internet of Things to our clients on a standalone basis.

Apart from offering diversified marketing solutions to our clients, we also provide one-stop solutions in each of our marketing services, from tailor-made and innovative marketing solutions to optimising our clients' requests and designs to managing and overseeing the overall project implementation process. In the offering of our one stop solutions to our clients, we have our own professional creative team to prepare design proposals and assist the client with on-site coordination, our production team to liaise with suppliers on technical and construction matters on-site and our account servicing team to be responsible for matters including the day-to-day management of the client and assigning personnel to be part of the project team, amongst other things. Our management team closely oversees and coordinates the operation across various teams to facilitate their smooth operations. The ability to devise, manage and coordinate various aspects of a marketing project and the delivery of one-stop solutions has allowed our Group to assist our clients to address their challenges and to ensure the delivery of envisaged marketing solutions that exceed the required standard.

We believe our integrated marketing solutions services can (i) provide one-stop service and cost saving solutions to our clients as they are relieved from searching for multiple service providers who can vertically provide professional services in the required marketing disciplines; and (ii) reduce the risks of our clients from experiencing "marketing disasters" as they will have the support from the experienced team of our Group to oversee their interests by closely monitoring the marketing solutions and coordinating among various trade and

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service providers and within the teams of our Group. Through the projects we have designed, organised and managed, we believe we are able to improve the awareness and reputation of the brands and products of our clients and thereby improving the sales and market share of their products with the ultimate goal of achieving significant brand building and promoting the unique value of their products among their targeted recipients. With our ability to provide one stop integrated marketing solutions to our clients, we believe our Group is best positioned to capture potential market opportunities in a broad range of marketing segments, thereby driving our revenue growth.

Visionary management with strong experience and a mechanism that rewards management and business partners with ownership to encourage cooperation and expansion

The delivery of integrated marketing services is characterised by a team of experienced and high quality personnel. Our management team possesses professional knowledge and industry experience in providing strategic, innovative and multi-dimensional marketing solutions as well as the ability to launch projects with high standard. Our management team consists of some of the people who have accumulated over 20 years of relevant and valuable experience in the marketing industry in the PRC. Each of our executive Directors has extensive knowledge in the high-end marketing solutions industry. Our executive Directors, Mr. Lau, Mr. Ng, Ms. Low and Mr. Chan, are respected figures of our Group and have been managing our Group for over 5 years. For details, please refer to their biographies set out in the section headed “Directors and Senior Management”. Our Group regards them as charismatic and visionary in leading us to become one of the top marketing solutions providers for international premium and luxury brands in the Greater China market.

Our Group has a track record of rewarding contributors with equity base compensation and incentivising its team by offering equity interest so that contributors would be properly recognised, incentivised and rewarded with ownership. Our major contributors of our Group were rewarded with our Shares through Aide Zhongxin, Brightly Sky and ACT Partners. For other contributors, ACT Holdings was particularly set up as a platform which is held by a professional trustee for the benefit of the key personnel of our Group in holding our Shares indirectly. We also reward major contributors with ownership in our subsidiaries or in our investment level entities. For example, Ms. Zhou, our general manager who handles our IP development projects for Le Tour de France and LaLiga Club holds 10% equity interest in Activation Sports Development and 9.91% equity interest in Activation Sports Management for her effort and commitment to our IP development projects. We also assigned 7.35% interest in Stufish Asia as an incentive to Mr. Shaw and Ms. Cheng for their contribution in the production and launch of the live stunt show “ELĒKRŌN” and the business of Stufish Asia.

Proven track record of acquisition and cooperation for expansion and successful integration of acquired businesses

Our Group has always, and had in the past welcomed competent business partners to join our Group and share our success. We believe each successful acquisition or cooperation will bring along substantial increase in value, client base and may open-up new revenue streams. For example, our digital and brand communication team was established when we acquired 65% of Activation Digital in 2014 which has eventually become our wholly owned subsidiary in 2015. Mr. Tu from Activation Digital had joined us and eventually became our senior management and jointly managed the business of Activation Digital with Ms. Wong and Mr. Choi. Activation Digital's business and network has integrated and complemented with our then existing business. Similarly, our Group established our public relations team in 2013 when we acquired 70% equity interest of Activation PR while Mr. Bao was holding the remaining 30% equity interest. Mr. Bao became one of our shareholders and senior management, and since 2015, Activation PR became our wholly owned subsidiary, with business being jointly directed by Mr. Bao and Ms. Wong. The businesses of Activation Digital and Activation PR have experienced significant growth since their respective acquisitions by our Group. The revenue of Activation Digital has increased from RMB38.5 million in 2016 to RMB108.2 million in FY2018, while the revenue of Activation PR has increased from RMB15.6 million in FY2016 to RMB23.0 million in FY2018.

Since 2017, we have also been cooperating with Stufish Productions, a world recognised leader in the production of entertainment shows, by investing in Stufish Asia in which we own 41.65%, our senior management, Mr. Shaw and Ms. Cheng, each owns 3.675% and Stufish Productions owns 51%. Under the joint venture agreement entered between our Group and Stufish Productions, the business of Stufish Asia engages in expanding and developing live entertainment services, as well as producing and managing live events, in the PRC, Hong Kong, Macau, Taiwan and Singapore, including the production and operation of our first live stunt show "ELĒKRÖN" at Studio City, Macau in 2019.

In July 2016, we established Activation Insight, whose business is principally engaged in data collection technology, big data analysing platform development, and technical development of computer information technology. Activation Insight is owned as to 70% by Activation Group and 30% by Huayuan Data Technology (Shanghai) Co., Ltd (華院數據技術(上海)有限公司). Through this cooperation, Huayuan Data Technology (Shanghai) Co., Ltd (華院數據技術(上海)有限公司) has contributed their technical know-how to our Group, which allows us to venture into and excel in the digital and brand communication marketing projects.

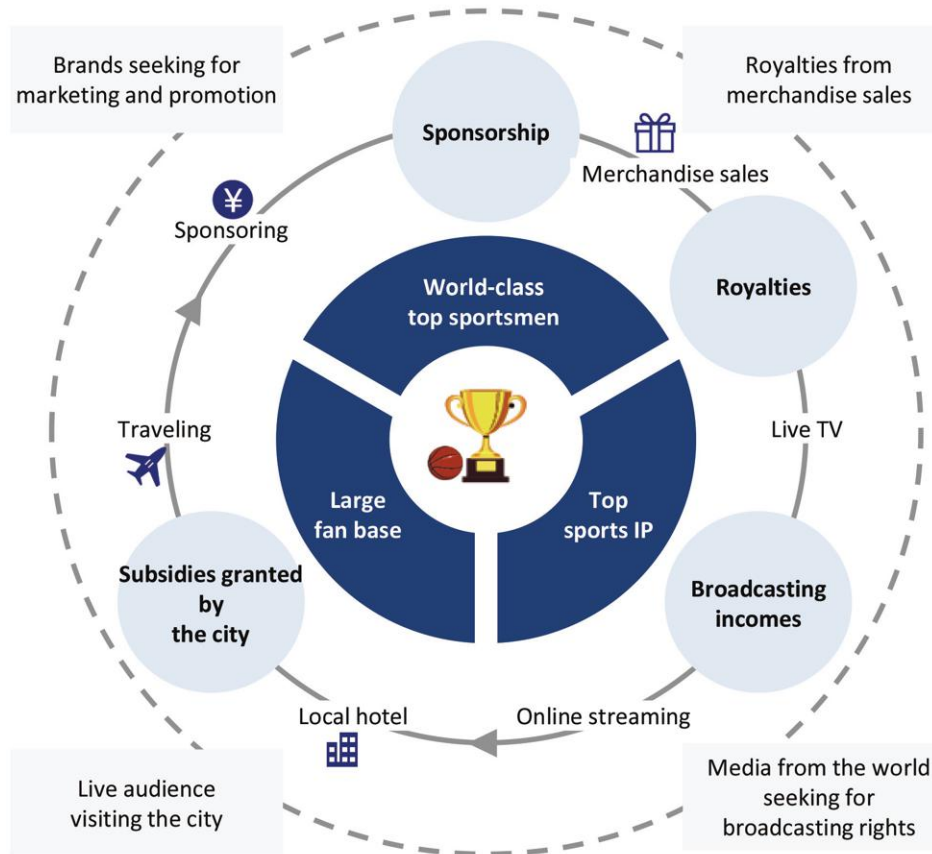
These are some examples of our previous cooperation with our management and business partners, which had all started when we shared a mutual understanding that we can achieve more success in the industry when management and business partners share the same vision and cooperate with each other on the development and growth of the business. We believe this is one of our Group's core values, which is to be open-minded in welcoming management and business partners to cooperate and work together in order to create value for all.

Exclusive rights to organise authorised events and other rights for marketing, sponsorship, merchandising and other uses in PRC for two major international sporting IPs, LaLiga Club and Le Tour de France, which set a solid foundation for us to capture the vast sports market in the PRC

According to the CIC Report, the market size of IP development for sports market has increased significantly over the past five years. As at the end of 2018, the market size in terms of sales revenues in Greater China reached RMB50.5 billion which was up from RMB26.6 billion in 2014, representing a CAGR of 17.4%. This rapid development was primarily owing to strong support from the central and local governments, the vigorous development of the sports industry, and the awareness of residential health and sporting. As an emerging industry in Greater China, the market of IP development for sports will take on a variety of formats with the influx of different participants. Therefore, the sales revenue of IP development for the sports market in Greater China is expected to continue to develop rapidly and reach approximately RMB79.5 billion in 2023, representing a CAGR of 9.5% from 2018 to 2023.

The following diagram is an illustration of the industry landscape for organising major sporting events.

Industry landscape for organising major sporting events



Source: CIC Report

BUSINESS

To venture into this market, during the Track Record Period, we entered into long term IP Cooperation Agreements with LaLiga and ASO in which we were granted with exclusive rights to use the LaLiga Club and Le Tour de France brands in the PRC for authorised events' organisation, training, marketing, merchandising and other uses. Please refer to the section headed "Business – Our IP Development" for further details regarding the terms of the IP Cooperation Agreements. Subject to the terms of the IP Cooperation Agreements, since 2017, we started to make use of the LaLiga Club and Le Tour de France brands in the PRC to, among other things, organise, promote and run certain events, activities. We also plan to run a LaLiga Club sports park and undertake other related activities such as marketing merchandising products, which will provide our Group with a new revenue stream as well as bringing in new business opportunities for our integrated marketing solutions business. We intend to exploit our rights on the LaLiga Club and Le Tour de France brands in the PRC either on our own or by cooperating with business partners who have the experience and know-how in their specific trades and services. Leveraging on our experience and expertise in providing integrated marketing solutions, our Group is well equipped to devise an appropriate strategy to organise, market, promote and run events relating to the LaLiga Club and Le Tour de France brands in the PRC to achieve significant brand building and value of such brands to their targeted recipients.

Through organising and running such events or activities, our Group is, subject to the terms of the IP Cooperation Agreements, able to generate an alternative source of income, including but not limited to, (i) profit sharing of a certain percentage of the events or projects that we organise and run, the venue that we operate and manage and the merchandising activities that we carry out in the PRC, as the case may be; (ii) sponsorship fees on the events we organise; (iii) investment income from projects we operate; and (iv) other miscellaneous sources derived from the marketing of events or projects. We also receive government funding from the PRC government for certain events we organise.

According to the CIC Report, the total number of cycling races held in the PRC was around 3,000 races in 2018. Through the rights to use the Le Tour de France brand granted by ASO, we had organised three Critérium races and four L'Étape races during the Track Record Period and as at the Latest Practicable Date. We believe there is great market potential for us to increase number of races to be held in the PRC in the future years.

During the FY2016, FY2017, FY2018 and 6M2019, our Group derived approximately RMB3.4 million, RMB39.6 million, RMB38.4 million and RMB19.5 million of revenue, respectively, from our IP development business. Our Directors believe that having the right to use the LaLiga Club and Le Tour de France brands in the PRC and being a leading experiential marketing service provider for premium and luxury brands in Greater China would pave way for our Group to venture into the sports and entertainment IP development market in the PRC. Such experience can then be used as our track record to demonstrate our capabilities to other international premium and luxury brands when we intend to source from them the right to organise, market and run events or activities in the PRC. We believe that the organisation, promotion and running of various events for brands of which we have the right to use such

BUSINESS

brands can potentially diversify our revenue stream and foster further cooperation and investment opportunities with our business partners surrounding these licensed brands and thereby allowing us to derive more profit out of such brands.

Well positioned to capture the market opportunities

We believe that we are well positioned to capture the market opportunities for our integrated marketing solutions business given our strategic geographical locations, strong creative solutions ability and our commitment on quality services rendered to our clients.

According to the CIC Report, some of the market drivers/factors which favour experiential marketing services for premium and luxury brands in Greater China and IP development for sports market in Greater China include (i) the increase of high net income and mass affluent population in the PRC, (ii) substantially higher marketing budget for premium and luxury brands and (iii) the Central government's promotion on the sports industry.

(i) Increase of high net income and mass affluent population in the PRC

CIC has found that the PRC's high net income and affluent population experienced steady growth between 2014 and 2018, increasing from 20.5 million to 36.3 million with a CAGR of 15.4%. Sales revenues of premium and luxury brands in Greater China increased from RMB190.5 billion in 2014 to RMB278.5 billion in 2018 under the promotion of luxury apparels, watches, jewellery, beauty products, footwear, and handbag and luggage, representing a CAGR of 10.0% between 2014 and 2018. As the population of high net income and mass affluent grows, there were significantly stronger purchasing power and desire for international premium and luxury brands. Hence, the sales revenue of premium and luxury brands in Greater China is expected to grow at a CAGR of 9.7% between 2018 and 2023, reaching RMB442.5 billion in 2023. In 2018, the PRC's population accounted for approximately 18% of the world population, while Chinese consumers purchased approximately 30% of the global luxury-branded goods, as measured by sales revenue, representing a greater demand on luxury-branded goods from the Chinese consumers as compared to the rest of the world. This is expected to drive the development of experiential marketing services and accordingly benefit the growth of our Group's operations in this regard.

Headquartered in Shanghai with presence in Hong Kong and Beijing, our Group has a geographical coverage to cover some of the most developed and affluent areas in Greater China and serve our clients with target marketing activities in those areas. Shanghai is a tier one city in the PRC where our clients, including international and local premium and luxury brands, consider it to be one of the key cities to launch their marketing campaigns to promote their products to enhance their brand awareness. For example, we launched Gucci and Maurizio Cattelan – 'The Artist Is Present' Exhibition in Shanghai in 2018. Furthermore, Shanghai is a business hub which allows us to easily commute to other cities along the Yangtze River Delta. Our Group's presence in Beijing has allowed us to serve clients with operations in Beijing, such as automobile clients and

other clients which focus on this tier one city. Our Group's presence in Hong Kong has allowed us to serve clients whose target clientele is in the local Hong Kong market as well as the South East Asia market. Our Group's presence in these cities would also benefit our Group by attracting marketing talents with strong capabilities and connections in the marketing industry in each of these locations. This would also help our Group to further develop its business.

(ii) Substantially higher marketing budget for premium and luxury brands

Premium and luxury brands refer to international brands that have unique brand identity, decades of brand history and a distinctive brand concept, while mass brands convey accessible brand value, with the core concept to meet the demands of mass consumers, while also making great efforts to cater to the latest fashion trends.

According to the CIC Report, premium and luxury brands, which form a large part of our client base, typically deploy a substantially higher marketing budget as compared to mass brands. As premium and luxury brands strive to consistently offer uncompromising luxury with a wealth of exclusive features, the use of high-quality props, lighting, special effects, and other materials, the total marketing budget will be substantially higher. The total marketing budget for mass brands will be relatively lower as they have comparatively lower quality requirement for events execution.

We believe our strong innovative solutions and execution capabilities have allowed us to provide creative and tailored marketing solutions to our clients. These have provided us with a competitive edge to establish a stable relationship with many existing clients of international premium and luxury brands and also in pursuing new opportunities with new international clients which are keen to enter the Greater China market and also other local clients that strive to establish a stronger market presence in elevated brand image. Our Directors believe that over the years, we have developed a reputation for handling assignments with astute high complexity, innovative solutions through organising marketing events for our clients, enabling us to accumulate the knowhow on marketing strategies and brand management. Such know-how has inspired and equipped our Group and management team to look for new and innovative ideas and design in the provision of integrated marketing solutions.

Our Directors believe that artistic value and quality of marketing solutions should never be compromised by the haste and costs involved in a project and our commitment on quality service to clients have continued enabling us to tap the business opportunities. Our project management system was accredited with ISO-9001 in the provision of marketing planning services for exhibitions. We believe that maintaining a stringent quality assurance and comprehensive management system can promote clients' satisfaction and improve the success rate of securing new incoming projects.

(iii) Central government's promotion of the sports industry

According to the CIC Report, there is strong support from central and local governments on development of sports industry. The National Fitness Program 全民健身計劃(2016 – 2020) makes a comprehensive plan for the nationwide fitness work. The total consumption of sports is expected to reach RMB1,500 billion in 2020. According to the program, by 2020, it is expected that 700 million people will take part in physical exercises at least once a week, among them 435 million as regular exercisers.

Our Directors believe that the entering of the long term IP Cooperation Agreements and our Group's experience in working with LaLiga and ASO have given us a head start in capturing the upcoming growth in the sports industry. For further information on our strengths on our sporting IP rights, please refer to the section headed "Business – Our Competitive Strengths – Exclusive rights to organise authorised events in PRC for two major international sporting IPs, LaLiga Club and Le Tour de France, which set a solid foundation for us to capture the vast sports market in the PRC".

OUR STRATEGIES

We plan to further increase our market share and enhance our overall competitiveness as a leading integrated marketing solutions provider and to further expand our IP development business by implementing the following strategies:

Scale up our integrated marketing solutions business, recruit high caliber talent and improve operating efficiency

We plan to scale up and expand our integrated marketing solutions business, in particular our digital and brand communication services. According to the CIC Report, the continuous advancement of mobile devices and applications has increased the time spent on digital media by consumers, and has brought about significant changes to people's daily activities, especially in communication, shopping, entertainment, etc. As such, digital marketing services have become the most effective and efficient channel for reaching a quality audience. This segment is expected to continue increasing at a CAGR of 16.2% between 2018 and 2023.

Leveraging on our substantial industry experience and expertise, our Group has begun to increase our focus on digital and brand communication services and actively promote our digital marketing solutions to our clients since 2016. Due to the increasing popularity of on-line mobile apps, which is reshaping the traditional marketing industry, we have received recognition and encouraging feedbacks from our clients who sought our digital and brand communication services and our revenue from this area has significantly increased during the Track Record Period.

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Our projects in digital and brand communication services can be retainer in nature, thus allowing our Group to have recurring income, which is valuable to our Group as our business expansion strategies we carry out need cashflow to succeed and that would allow our Group to better cope with market risks in times of pro-longed market downturn. In order to expand our operations in this business segment, we intend to (i) enhance and expand our digital marketing team in our Shanghai and Beijing offices; (ii) actively promote to our clients our capability in digital marketing; (iii) seek business referrals from existing clients; and (iv) consider strategic cooperation or acquisition with existing industry players to speedily enhance our operation capacity and market share.

Furthermore, we plan to recruit high caliber talents, for example a creative and digital head, to further strengthen our digital and brand communication services and to enhance our capacity. We also plan to purchase software for Big Data analytics in order to improve our operating efficiency and service offering.

Expand our geographical coverage and increase our clientele

We plan to expand our geographical coverage and increase our clientele by establishing an office in Paris to serve our existing clients in Europe and to expand our client base in the European market, as well as an office in Guangzhou to strengthen our strong presence in tier one cities in the PRC and capture business opportunities arising from the Bay Area development.

Establish an office in Paris for expanding our client base in the European market

Luxury brands in Europe were some of our major clients during the Track Record Period. Leveraging on our established relationship with clients in the European market, we intend to further tap into markets in Europe to strengthen the relationship with our existing clients and promote our services to any new client as Europe is the headquarters of many major international premium and luxury brands. In light of the above, we are inclined to establish a new office in Paris, France.

Over the years, we have provided marketing solutions to and organised numerous events and exhibitions for many clients of international premium and luxury brands and our clients have often enquired about our presence in Europe. In order for us to (i) foster and strengthen relationships with our existing clients, many of which are international premium and luxury brands; (ii) leverage on our track record of serving our existing clients to tap into the European market; (iii) build relationship with new clients and secure business for both the European and Chinese markets; and (iv) bring Chinese brands to Europe, our Directors considered it appropriate at this stage for our Group to establish an office in Europe. This will enable us to better understand the needs of our clients and formulate marketing strategies closer to the latest theme adopted by the brands of our clients which will put us in a better position to convince our potential clients in Northern and Central Europe to use our integrated marketing services and will also allow us to tap into new European markets which we have yet to explore and develop from our existing and potential clients' referral. If we are successful in our endeavors,

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our new office in Europe will provide significant drive of business growth for our Group. With our headquarters strongly established in the PRC, we expect to have substantial cost advantage over some potential European competitors.

In serving our clients of premium and luxury brands, we need to discuss and exchange designs and ideas with their European headquarters' designers and management. For example, in an experiential marketing project with luxury and premium brand client with head office located in Europe, the theme and design concept will first be conveyed to us through email, followed by various phone calls to align our understanding of the elements of the project. As the project will be executed in China, it is often that the client will visit China to listen to our proposal and/or conduct site visits, or we will be invited to Europe to conduct face-to-face meetings to exchange design concepts. Once we have been engaged as the marketing solutions provider, there will be frequent rounds of email exchanges, telephone conferences or occasional meetings to improve on the proposal and on the project execution details. During the Track Record Period, our Group was invited to six face-to-face meetings in Europe for significant projects for integrated marketing solutions and negotiation of our IP development plans. It is part of our Group's business strategies to expand our geographical coverage to Europe. We believe face-to-face presentations and demonstrations are much preferred in illustrating our designs and marketing concepts and communing the project execution details. Our Directors believe that with a Paris office and a local French speaking Paris team, it enables us to more frequently communicate and provide real time and face-to-face services to our clients of luxury and premium brands. Furthermore, for our sports IP development projects, both LaLiga and ASO are based in Europe. Our management team visits their headquarters occasionally to align the themes of the public relations campaigns, promotional products and other marketing proposals for the sports events held in Greater China with those in Europe. Having a Paris office can serve our clients' needs and facilitate our communications with their headquarters and thus securing the relationship with our European-based clients. It is our aim to foster the relationship with existing and potential clients of premium and luxury brands, which many are headquartered in Paris, with high service quality.

During the Track Record Period, despite our lack of overseas geographical coverage, we received not less than eight prominent local PRC clients' enquiries regarding integrated marketing solutions to conduct events or to market their products/services outside of the PRC. For example, we had received five invitations from a leading local brand with business in mobile phone and 5G network solution provider to provide quotations for their intended events in Europe, including Paris and Brussel. In addition, in September 2019, we were engaged by a local PRC brand for a project in the New York Fashion week in New York. We anticipate that in future, having a Paris office will provide us with significant advantage in securing projects regarding bringing Chinese brands to Europe. It also echoes with one of our business strategies to establish an office in Guangzhou that mainly serves local PRC clientele that are based in Guangzhou and Shenzhen.

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Having a Paris office also facilitates our recruitment plan for prominent creative directors and designers as many design houses were established in Paris. Among the top tier creative directors and designers, many of them have had their career in Paris with some even using their own names as their own fashion brand. We believe they have their circle of relationship among themselves and with many in-house designers of luxury and premium brands. By having a Paris office, we may recruit prominent creative directors and designers to have project collaborations with our Group which may, as our directors envisaged, enhance our Group's clientele in Paris.

As a PRC headquartered marketing solutions provider, sometimes our local creative solutions and designs are inclined towards PRC clients and may not appeal to our European-based clients. Some of our premium and luxury brand clients may be drawn by the reputation and standing of the creative directors and designers who are in charge of the design of their marketing campaigns. Having a Paris office can turn our potential weakness into strength, as it is one of our business strategies to enhance our creative ability by recruiting top quality creative designers and their skills, experience to have project collaborations with our Group.

Also with a Paris office, we believe it can enhance our Group's position and differentiate us from many of our competitors, in particular local competitors based only in Hong Kong or other part(s) of China. Having a Paris office can facilitate our pitching of projects as we can appeal to our clients that our marketing solutions come from or are endorsed by prominent Paris-based creative directors or designers. By having a Paris office, our Group can enjoy our cost advantage as we headquartered in China and at the same time fuse the Chinese design styles with the artistic value which is commonly found in European design houses. We believe this will create substantial synergy to our Group and investors in turn.

As a long term business objective, we aim to be a top tier international agency. Listing in Hong Kong and establishing a Paris office are two significant steps of our Group which prepare our Group for further endeavour. While we emphasize our mission is to promote our clients' premium and luxury brands and IPs establishment in Greater China and create value to our clients by offering them with integrated marketing solutions, it is our vision to eventually become a top-tier international agency who can frequently deliver magnificent landmark marketing solutions to our clients.

Establish an office in Guangzhou and capture business opportunities arising from the Bay Area — the hub where local and international premium brands meet

The Bay Area development is accorded the status of key strategic planning in the PRC's development footprint, which will serve as the gateway between the PRC and the countries along the "Belt and Road". The Bay Area encompasses Hong Kong, Macau and the nine municipalities of the Guangdong Province including Guangzhou. We expect our international clients and their brands will be attracted by the Bay Area concept as well as the concentration in population and wealth in the Bay Area and launch their marketing campaigns to promote their products to increase their brand awareness there. According to the CIC Report, there are hundreds of local brands in the PRC's apparel industry and a large portion of over 30% of such

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local brands in the apparel industry locate their headquarters in the cities of Shenzhen and Guangzhou. We also expect local premium brands in the Bay Area will be interested in our integrated marketing solutions when they need marketing services for launching their products outside the PRC. It is our business strategy to tap into this new market to capture the growth opportunities of the Bay Area to fuel our future success.

Apart from serving luxury and premium brands, we also intend to focus more on and explore local premium brands for our integrated marketing solutions, which will be the major focus of our future Guangzhou office. For instance, we had completed a substantial experiential marketing project in September 2019 with a member of Alibaba Group for Alibaba Group's 20th anniversary annual dinner, which is a breakthrough of our Group in terms of the type of clientele but with a lower profit margin as compared with other non-automobile projects in general.

With the Bay Area development plan and according to the CIC Report, it is expected that Guangzhou and Shenzhen will have many local brands in the fashion industry and technology industry. The Bay Area development is expected to nurture a favourable business environment for these local premium brands for their business growth. It is therefore anticipated that these local brands will have an interest in marketing their products or services within the PRC and outside of PRC along with their business growth. In particular, we have targeted a few technology and fashion brands that have global market and headquartered in Guangzhou or Shenzhen which we believe will have an interest in our services. Some of our targeted local premium technology brands based in Shenzhen or Guangzhou include (i) a leading brand of aerial drones; (ii) a leading mobile phone brand; (iii) a leading internet-related services, social media and gaming conglomerate; and (iv) a leading mobile phone manufacturer and 5G network solution provider. Some of our targeted local premium fashion brands based in Shenzhen or Guangzhou include (i) a contemporary local fashion brand founded on 2004; (ii) a local female fashion brand; (iii) a local male fashion brand whose parent group is a fashion conglomerate having acquired several international brands in Asia Region; and (iv) a local female fashion brand listed on the Shanghai Stock Exchange. We have been the partnered event organiser in the Shenzhen Fashion week since 2015 and we believe many PRC local premium brands would be interested in collaborating with us for devising marketing solutions. We were previously engaged by some of the PRC local premium brands, including the contemporary local fashion brand founded in 2004, the local male fashion brand whose parent group is a fashion conglomerate having acquired several international brands for Asia Region, a local brand established in 1980 with over 3,000 brand franchised stores in Greater China and a local female fashion brand established in 2013 by a fashion model. We believe many more of these local premium brands will also be interested in our services if we have local presence in the Guangdong Province.

In order to capture the business opportunities and expand our clientele arising from the forthcoming Bay Area development, as part of our commitment in expansion and for our long term development, after due and careful consideration, our Directors intend to establish an office in Guangzhou. We expect our Guangzhou office to replicate our business operations in

Shanghai, but to mainly serve our clients that are undertaking marketing activities in Guangzhou, Shenzhen and cities nearby, whilst our headquarters in Shanghai will be mainly responsible for handling projects in Shanghai and nearby cities.

Expansion through acquisition and cooperation

In addition to organic growth, we plan to explore and pursue acquisition and cooperation opportunities to strengthen our market position and enhance our competitiveness in the integrated marketing solutions industry in the PRC and Hong Kong. Pursuing competent business partners to join our Group and enrich our marketing businesses is one of our competitive strengths and business strategies which we had a track record of success. Besides, there is also the possibility of consolidation among our competitors or that alliances may develop among our competitors whereby such competitors may acquire significant market share rapidly and consequently affect our leading market position.

Any possible rapid increase in size of our competitors through acquisition or organic growth may affect our competitiveness in obtaining quality projects in the market. Therefore, we consider that the alternative of dynamic growth through acquisitions will not only allow us to further consolidate our market share but also expedite the strengthening of our market position and thereby allowing us to mitigate the challenges of the business environment we face. Such strategy will also allow us to secure projects from sectors and client base which are pre-occupied by some market players.

Through strategic acquisitions and cooperation, our market share in terms of number of clients and projects can be further increased, which can increase our advantage over our competitors. Looking back on our Group's history, our Group has had a track record of vibrant acquisitions and cooperation which generated significant mutual benefits to us and our business partners and uplifted the value of our Group. Our Directors consider the strategy of acquisition and cooperation with existing market players, in particular in the areas of digital marketing and development of our licensed brands, will be compatible with our business, as such acquisitions and cooperation mainly represent the continuous running of our existing business which we excel in.

For local expansion, our potential acquisition and cooperation targets will be smaller marketing industry players and our partners in the licensed brands development business. Our targeted smaller industry players should be able to, among other things, (i) create synergies in our operations by integrating special expertise (such as creative, production or digital expertise) from the potential targets into our Group; (ii) increase our client base; and (iii) have its business preferably in the area of digital marketing, as we have experienced substantial growth in this area during the Track Record Period and we expect this area of business will continue to grow. According to the CIC Report, the market share of digital marketing services in total marketing solution services by marketing expenditures in Greater China grew from 20.2% in 2013 to 39.0% in 2017, and affected by the increasing usage of mobile devices and the era of Big Data, such market share is projected to increase to 55.1% by 2022. We aim to strengthen our digital and brand communication services in three areas and capabilities: (i)

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digital retainer services which provide digital strategy, creative content creation and owned media platform management; (ii) client social supporting system with social CRM (customer relationship management) capability, to capitalise the data platform for clients through facilitating conversations and engagement process; and (iii) KOL cooperation, to build and manage KOL resources which include KOL matching through automatic platform to amplify digital initiative and measure performance of KOLs for our clients.

For overseas expansion, our potential acquisition and cooperation targets will be top-class creative design-houses or marketing agencies which can, among other things, (i) assist us in establishing an European office, preferably in Paris; (ii) increase our client base; (iii) improve our recognition in the creative design and marketing industry which is critical in winning international premium and luxury brands projects; and (iv) provide staff with skill sets and connections in the integrated marketing solutions area.

Scale up our IP development business

In 2016, we started our IP development business, in particular the sports market in which we have entered into IP Cooperation Agreements with ASO and LaLiga to obtain exclusive rights in using their brands to organise authorised events in the PRC and other rights for marketing, sponsorship, merchandising and other uses, subject to terms of the agreements. Please refer to the section headed “Business – Our IP Development” for further details on the terms of the cooperation. To leverage on the LaLiga Club and Le Tour de France brands licensed to us and to open up revenue source for ourselves and our partners in the IP development business, we plan to grow our IP development business and expand our range of services by investing into new businesses.

Apart from unlocking the value of the LaLiga Club and Le Tour de France brands in the PRC, we also plan to obtain IPs from owners of other premium brands, in particular sports brands, which we consider to have promising potential in the PRC market. Such IPs will also allow us to carry a large series of new marketing services and products.

In addition, we shall continue to explore business opportunities in entertainment IP development through Stufish Asia, our cooperation with Stufish Productions and other potential market players.

Le Tour de France

During the Track Record Period, we accumulated the experience and know-how in organising a Le Tour de France competition efficiently. According to the CIC Report, the total number of cycling races held in the PRC was around 3,000 races in 2018. We believe there is a great market potential for us to increase to the number of races to be held. With the proceeds from Listing, we intend to organise more regular Le Tour de France competitions in different regions and cities in the PRC. Our management believes Le Tour de France competitions can be replicated in various cities in the PRC in a recurring manner, similar to marathon races organised in different cities in the PRC. By doing so, our Group can take lead in the sports event management in relation to cycling in the PRC and this can bring strategic benefit to our Group in addition to the new revenue streams from marketing the events, such as from sponsorship and merchandising.

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LaLiga Club

Under the LaLiga Cooperation Agreements, we are entitled to the profits from the LaLiga projects subject to sharing with LaLiga. Some potential revenue source or income may include (i) profits generated from projects or events; (ii) investment income and fees received from experience centre and sports park; (iii) operating a sports café and merchandising in experience centre; and (iv) advertisement and sponsorship fees, etc. Generally speaking, the promotion and marketing of activities and events relating to LaLiga Club are similar to that of our integrated marketing solutions provided to our clients. The difference is that our Group will be responsible for initiating and running the activities and liaise with LaLiga on the details regarding the management of LaLiga Club and solicitation of sport, players or coaches to appear in the PRC from Spain.

With the proceeds from Listing, we will have the funding to organise and run larger scale marketing activities for LaLiga Club and to consider various cooperation and investment plans. We intend to speed up and increase the number of activities for LaLiga Club and to actively seek cooperation opportunities to set up and run experience centre and sports park.

OUR BUSINESS MODEL

During the Track Record Period, we derived our revenue primarily from integrated marketing solutions projects engaged primarily through quotation. Upon confirmation of engagement by our clients, we are responsible for the overall management and coordination of the project implementation, planning, monitoring and supervision from the commencement of the project until the completion according to the terms of our engagement. The following table summarises our business functions and our roles in various kinds of marketing projects.


Integrated Marketing Solutions

	Main role	Duties include but not limited to	Major income and expenses items
Experiential marketing	Organiser and project manager	<ul style="list-style-type: none">• Seeking clients' instruction• Formulating event proposal• Preparing master schedule for the event• Procuring materials and engaging service providers according to the master schedule• Allocating work for the event day• Taking control and managing the event day(s)	Income: Services fee Expenses: Cost of materials, event venue set-up, audio, video and lighting, show performers cost, travel and accommodation, safety assurance, venue rental cost


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	Main role	Duties include but not limited to	Major income and expenses items
Digital and brand communication	Digital content designer and digital platform maintainer	<ul style="list-style-type: none"> • Seeking clients' instruction • Formulating digital and brand communication proposal • Preparing master schedule for the campaign • Engaging service providers and procuring materials if necessary according to the master schedule • Allocating work for the campaign • Taking control and managing the campaign 	<p>Income:</p> <ol style="list-style-type: none"> 1. Services fee 2. Retainer fee <p>Expenses:</p> <p>Media cost, including media promotion fees paid to KOLs, cost in relation to promoting client's product/services through various social media platforms</p>
Public relations	Adviser and organiser	<ul style="list-style-type: none"> • Seeking clients' instruction • Formulating public relations proposal • Preparing master schedule for the public relations campaign • Procuring materials and engaging service providers according to the master schedule • Allocating work for the public relations campaign • Taking control and managing the public relations campaign 	<p>Income:</p> <ol style="list-style-type: none"> 1. Services fee 2. Retainer fee <p>Expenses:</p> <p>Travel and accommodation, safety assurance and media cost</p>

IP development

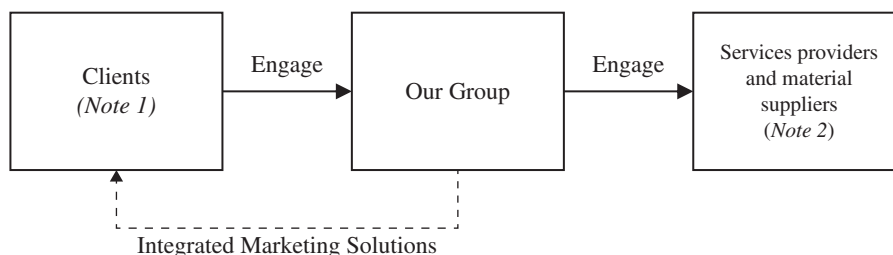
	Main role	Services include but not limited to	Major income and expense items
<p>LaLiga Club</p> 	<p>Brand activator and promoter</p>	<ul style="list-style-type: none"> • Collaborating with LaLiga on the creation of a 360° premium comprehensive experiential football platform in the PRC under the designation of LaLiga Club • Designing, implementing and operating a serial of LaLiga Club projects that include but are not limited to interactive events, member courses, league matches and sports derivatives • Creating, designing, manufacturing (or manufacturing by entrustment with the approval of LaLiga), distributing or selling merchandising and related promotional products related to LaLiga Club and/or LaLiga Club projects • Creating and producing a reality show and/or a TV series based on LaLiga Club and LaLiga Club projects • Designing, creating and operating a LaLiga experience centre to promote LaLiga, LaLiga Club and/or LaLiga Club projects 	<p>Depending on individual projects:</p> <p>Income:</p> <ol style="list-style-type: none"> 1. Profit sharing from reality show and TV drama, training, LaLiga Club experience centre and merchandising 2. Miscellaneous sources derived from the marketing and sponsorship projects of LaLiga Club <p>Expenses:</p> <ol style="list-style-type: none"> 1. Profit sharing to LaLiga with a minimum guarantee fee 2. Miscellaneous fees for various kinds of activities and promotion

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	Main role	Services include but not limited to	Major income and expense items
<p>Le Tour de France</p> 	<p>Brand activator and promoter</p>	<ul style="list-style-type: none"> • Staging the Critérium and L'Étape races including but not limited to providing, managing and organising such races • Managing sponsorship sales and sponsors servicing including marketing sponsorship packages pertaining to Critérium and L'Étape races • Organising and producing hospitality and public relations programs pertaining to Critérium and L'Étape races • Organising potential side events to Critérium and L'Étape races • Seeking and signing media licence agreements with local media partners within the PRC to maximise the local media exposure of the Critérium and L'Étape races • Producing and marketing merchandising products bearing the logos of the Critérium and L'Étape races 	<p>Depending on individual projects:</p> <p>Income:</p> <ol style="list-style-type: none"> 1. Sponsorship fees, incentives and project management fees 2. Revenue from media partners and ticketing 3. Profits from projects or events and merchandising products 4. Profits derived from the marketing of the event <p>Expenses:</p> <ol style="list-style-type: none"> 1. License fees for organising the event 2. Venue fees, construction and decorations, production cost, advertising fee, equipment rental, logistics, security, salary and overhead 3. Sponsors and media partners income shared with ASO

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The following diagram generalised the business model of our integrated marketing solutions in the marketing industry.



Notes:

1. During the Track Record Period, our clients are various brands seeking for marketing solutions. The brands of clients of our Group may engage our Group's services through different legal entities under the same brands or via agencies. For details, please refer to the section headed "Business – Our Clients".
2. Our suppliers are third parties we engaged in order to produce the marketing solutions we proposed to our clients. They are of various trades and nature. For details, please refer to the section headed "Business – Our Suppliers".

OUR INTEGRATED MARKETING SOLUTIONS

Generally speaking, our integrated marketing solutions consist of three kinds of marketing services, namely (i) experiential marketing; (ii) digital and brand communication; and (iii) public relations services. Our integrated marketing solutions services mainly focus on international premium and luxury brands. Through the projects we designed, organised and managed, our clients can expect to achieve significant brand building and promotional effect to mass public or targeted recipients.

Experiential Marketing

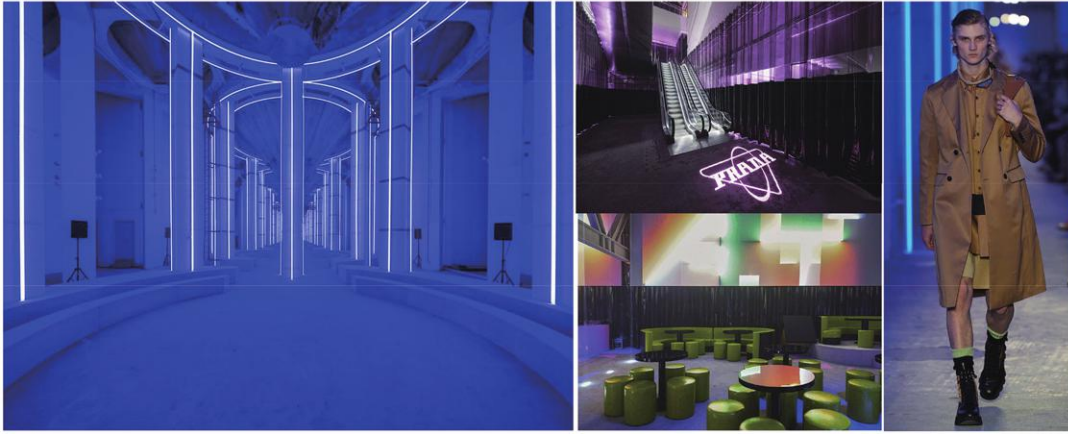
In experiential marketing, we normally become our clients' marketing solutions provider for events or exhibitions. Our role is to optimise our clients' requests and designs through overseeing the overall project implementation process, including the management and coordination of parties involved in a project, devising detailed work plans, actualising the projects through procuring supply of materials and engaging third parties and fine-tuning our event plan, as well as overseeing the overall marketing results.

A typical experiential marketing project involves an event such as a grand opening, fashion show, new product launch, etc. We will be engaged to provide services to coordinate the entire event up to the satisfaction of our clients.

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During the Track Record Period, approximately 84.1%, 77.7%, 75.2% and 71.7% of our total revenue, respectively, was attributable to experiential marketing. Some of the landmark experiential marketing events we engaged in during the Track Record Period include:

Prada SS20 Menswear Fashion Show



Pudong, Shanghai, June 2019

Dior Addict Launch Event



Shanghai, March 2019

Audi Brand Summit & Audi Q8 World Premiere



Shenzhen, September 2018

Digital and Brand Communication

Our digital and brand communication services typically involve marketing activities that use digital technology for advertisement placement and marketing communications on various digital platforms. Our role is to understand our clients' needs and to provide them with digital strategy and solutions from communication strategy to platform development. We will oversee the overall project implementation process, including the management and coordination of parties involved in a project, devising detailed work plans, actualising the projects until it goes online, as well as carrying out maintenance and on-going online services on a retainer basis.

A typical digital and brand communication project involves designing the user interface and setting up various functions of the clients' digital page on various social media and digital platforms. Some clients would request us to design and maintain a multi-functional online store for them. We would also assist our clients to place online advertisements and carry out digital promotional campaign. We can also offer additional value-added services such as Big Data analysis, precise advertisement placing, and statistical analysis on visits, clicks and views to measure ultimate consumers' preference.

Our Group usually offers these data analysis services together with our digital and brand communication marketing solutions to differentiate ourselves from our competitors. For example, on a single event or retainer basis, we would manage our client's website, Weibo or other specific online platform and collect viewers browsing data and perform analysis therefrom if the client requests these value-added services. As at the Latest Practicable Date, we do not have any plan to provide big data and Internet of Things to our clients on a standalone basis.

We also offer KOL promotion services and comprehensive digital campaign offerings to our clients. Comprehensive digital campaign offering is a large scale digital campaign which encompasses a range of services including launching live streaming of an event, allowing subscribers' digital interactions, and at the same time operating online sales platforms such as Tmall and marketing the campaign through promotion platforms such as Weibo/WeChat and through KOLs, etc..

During the Track Record Period, approximately 10.6%, 10.4%, 15.8% and 16.6% of our total revenue, respectively, was attributable to digital and brand communication. Some of our digital and brand communication projects are retainer in nature, in which clients may from time to time engage us for different services over a period of time. Some of the landmark digital and brand communication projects we engaged in during the Track Record Period include:

Timberland Digital Campaign



MaxMara Digital Campaign



Public Relations

Our public relations services typically involve marketing activities that help our clients to develop communication plans to reach out to their targeted consumers. Our services include public relations strategic consultancy services, day to day client communications, media relationship management, liaison and celebrity coordination services. The public relations services provided could be on an event project basis or a retainer basis.

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A public relations project involves us preparing news publication to be issued on relevant media platforms, recommending and arranging celebrities to be featured in various media platforms to achieve exposure, arranging media conferences and providing brand strategy and management services.

During the Track Record Period, approximately 4.3%, 3.9%, 3.4% and 4.5% of our total revenue, respectively, was attributable to public relations. Some of our landmark public relations projects during the Track Record Period include:

FRED China World Store Opening – Public relations



Beijing, July 2019

Bazaar Star's Charity Night



Beijing, October 2018

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OUR IP DEVELOPMENT

Our Group has also ventured into the area of IP development with a focus on sports and entertainment, eyeing the vast market size in terms of sales revenues in Greater China for sports IP development of approximately RMB79.5 billion by 2023 as estimated by CIC. For instance, in August 2016, we entered into the LaLiga Cooperation Agreements with the premium soccer league of Spain, LaLiga, granting us exclusive rights to use the brand of “LaLiga Club” (i.e., any composite logos or marks comprising any one or more LaLiga’s logo together with a mark referred to LaLiga Club) in the authorised events in the PRC. We were granted with the rights to build and promote the LaLiga Club brand in the PRC for a consideration payable to LaLiga and in return, we can derive income from the promotions and brand activation exercises organised by us. Another example of our IP development is our ASO Cooperation Agreements with ASO, in which we were granted with the exclusive rights to organise in the PRC two Le Tour de France races namely Critérium and L’Étape for a fee per race subject to the payment schedule per race. We are entitled to receive income from marketing of the events through sponsorships and ticketing, etc. for the Le Tour de France events in the PRC.

These IP development brands, although relatively new in the PRC, have global appearances and superb publicity effect. We believe that coupling them with our Group’s integrated marketing solutions will bring about massive business potential and can create many new business opportunities for our integrated marketing solutions. Also, in the future, these IP development projects can potentially diversify our revenue stream and foster cooperation and investment opportunities with business partners surrounding these IP development such as products, merchandising of events, fans gathering and youth training, advertising and spokesperson services, etc. With our accumulated sports industry knowhow and experience, we are able to extend our IP development model to two other fields: (i) sports complex and project management (e.g. sports venue and park); and (ii) own sports IP creation.

IP Development Breakdown

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June 2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue					
<i>Sports⁽¹⁾</i>					
Le Tour de France	–	39,388	37,080	–	10,848
LaLiga Club	–	164	1,324	–	8,615 ⁽⁵⁾
<i>Entertainment⁽²⁾</i>	3,374 ⁽²⁾	–	–	–	–
	<u>3,374</u>	<u>39,552</u>	<u>38,404</u>	<u>–</u>	<u>19,463</u>

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	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June 2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross profit/(loss)					
<i>Sports</i>					
Le Tour de France	–	7,506	(3,934) ⁽⁴⁾	–	3,818
LaLiga Club	–	(2,471) ⁽³⁾	130	–	7,019 ⁽⁵⁾
<i>Entertainment</i>	788	–	–	–	–
	<u>788</u>	<u>5,035</u>	<u>(3,804)</u>	<u>–</u>	<u>10,837</u>

Notes:

- (1) Revenue received from different sources including sports sponsorship, media partners and merchandising activities, ticketing income from sports events, miscellaneous fees and income for various kinds of marketing activities we provided and sponsorships from external parties.
- (2) Revenue mainly includes the sales of script eventually renamed and modified to 《出線了·初戀》, the online drama featuring LaLiga Club on the storyline. We had classified this sales of script as an entertainment project as the creation of the script did not require the IP of LaLiga Club at the material time in 2016.
- (3) The loss was mainly caused by our LaLiga Youth Training projects. The loss was mainly due to our plan to roll out LaLiga Youth Training with more publicity in order to develop the LaLiga Club brand in China. Our Group has incurred more expenses as a result of marketing.
- (4) The loss was mainly caused by the Critérium race we organised in 2018. Such loss was the result of our Group's increased expenditure on improving our business operation in our Le Tour de France races for our future growth, coupled with the fact that we have secured less sponsorship than we have estimated.
- (5) It mainly relates to the broadcasting right of 《出線了·初戀》, which we had classified this as our sports – LaLiga Club project as it involved our use of LaLiga Club IP right.

Our Sports IP Development

LaLiga Club



The salient terms of the LaLiga Cooperation Agreements between our Group and LaLiga are set out below:

- Purpose** The parties have agreed to collaborate on the creation of a 360° premium comprehensive experiential football platform in the PRC under the designation of LaLiga Club to design, implement and operate the following key projects during the term of the LaLiga Cooperation Agreements: (i) experience centres; (ii) youth training programmes; (iii) public viewing of league matches; and (iv) sports derivatives such as merchandises of LaLiga teams and sponsors, display of football players' gears and sports health and therapy.
- Granting of rights** Subject to the terms of the LaLiga Cooperation Agreements, LaLiga shall grant to our Group the following principal rights:
- (1) rights to organise a serial of projects and activities under the LaLiga Club platform, including but not limited to:
 - (a) the exclusive right to create, design, manufacture or manufacture by entrustment (with the approval of LaLiga) or distribute or sell merchandising and related promotional products related to LaLiga Club and/or LaLiga Club projects and the exclusive right to operate online and offline official stores for the selling of the LaLiga Club related merchandising;
 - (b) the exclusive right to design and operate the website and social media site of LaLiga Club to promote LaLiga, LaLiga Club and LaLiga Club projects including interactive events, member courses, league matches and sport derivatives;
 - (c) the exclusive right to create and produce a reality show and/or a TV series based on LaLiga Club and LaLiga Club projects;
 - (d) the exclusive right to design, create and operate an experience centre to promote LaLiga Club and/or LaLiga Club projects. Our Group has a non-exclusive right to create, operate and exploit a sports café in the premises of the experience centre;
 - (e) the exclusive right to organise an amateur football competition for the members of LaLiga Club, to promote LaLiga, LaLiga Club and/or LaLiga Club projects; and
 - (f) the right to create, design, develop or organise any other projects and/or activities for the purpose of promoting LaLiga Club from time to time during the term of the LaLiga Cooperation Agreements, where LaLiga shall do

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its best efforts in providing technical, management and personnel support and advice to our Group for the creation and operation of the LaLiga Club and LaLiga Club projects;

- (2) exclusive right to use any of the composite marks in any media under supervision and in any and all advertising, promotional, marketing, communications and branding material that relates exclusively to LaLiga Club and/or LaLiga Club projects;
- (3) non-exclusive right to use, subject to LaLiga's guidelines, any of the LaLiga marks in any media authorised by LaLiga and in any and all advertising, promotional, marketing, communications and branding material that relates exclusively to LaLiga Club and/or LaLiga Club projects; and
- (4) non-exclusive right to use digital and high resolution still images of Spanish league matches and club players.

Term

An aggregate term of ten years from August 2016, including (i) a first renewal of three additional years after the expiry of the third anniversary date subject to a mutual performance review conducted three months prior to such date and (ii) a second renewal of four additional years after the expiry of the sixth anniversary date subject to a mutual performance review conducted three months prior to such date.

In July 2019, an Addendum to the LaLiga Cooperation Agreements was entered into between our Group and LaLiga, in which it was agreed that the parties shall continue the performance of the LaLiga Cooperation Agreements within the first renewal period (i.e. from 1 January 2020 to 31 December 2022).

Consideration

- (1) Our Group shall agree with LaLiga in writing the relevant specific consideration to be paid to LaLiga for each of the phases of LaLiga Club projects to be developed from time to time;
- (2) From the end of the third anniversary date onwards, our Group shall also share its net profit and pay royalties to LaLiga for LaLiga Club projects and activities in the PRC, with a minimum guarantee fee.

Intellectual Property

Any and all intellectual property subsisting in the (i) LaLiga marks; (ii) the composite mark; (iii) LaLiga Club applicable LaLiga brand guidelines and LaLiga Club applicable LaLiga collective use guidelines; (iv) still imagery; and (v) LaLiga Club Domain, LaLiga Club website and social networks sites shall at all times be the sole and exclusive property of LaLiga.

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During the term, we shall not attempt to register any of LaLiga Intellectual Property or any trademarks service marks, logos, brands names, trade names, domain names and/or slogan confusingly similar to LaLiga Intellectual Property. Our Group shall execute such documents and all such acts and actions as may be necessary or appropriate to establish LaLiga ownership of any rights in and to LaLiga Intellectual Property.

Termination

A party shall have the right at any time to terminate the LaLiga Cooperation Agreements immediately by giving written notice to the other if:

- (1) a party commits a material or substantial breach of the LaLiga Cooperation Agreements and fails to remedy the breach within 60 days after receipt of notice from the other party in writing specifying the material breach and the remedy required; and/or
- (2) any encumbrancer takes possession of or receiver, administrative receiver or similar officer is appointed over any of the property or assets of a party or if a party makes any voluntary arrangement with its creditors or becomes the subject to an administration order or has an administrator appointed or goes into liquidation or has a resolution for its winding up passed or anything analogous to any of these events under the law of any jurisdiction occurs in relation to a Party or if a party ceases or threatens to cease to carry on business.

Termination effect

Upon expiry or termination of the LaLiga Cooperation Agreements,

- (1) our Group shall cease our use and exploitation of the rights granted to us by LaLiga;
- (2) the parties shall promptly return to the other or destroy all of the property of the other within its possession (if any);
- (3) LaLiga shall be entitled to grant all or any of the rights under the LaLiga Cooperation Agreements to any third party; and
- (4) the parties shall pay and set-off all amounts which become due prior to the termination of the LaLiga Cooperation Agreements to the other party.

Pursuant to the LaLiga Cooperation Agreements, we were only granted with the exclusive right to use the intellectual property of LaLiga Club (i.e. any composite logos or marks comprising any one or more LaLiga's logo together with a mark referred to LaLiga Club) but not the IP right of any football team under LaLiga. To the best knowledge of the Directors, LaLiga Club does not have direct control over its football teams' individual broadcasting rights of their relevant football games and that each of its football teams may have its own marketing initiatives in Greater China.

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Pursuant to the LaLiga Cooperation Agreements, LaLiga agrees that it will do its best efforts in providing technical, management and personnel support and advice to our Group for the creation and operation of the LaLiga Club projects. For example, if we require specific club players, coaching staff or ambassadors' appearances in certain LaLiga Club project, we may provide LaLiga with a written notice and LaLiga will use its best effort to procure the attendance of a reasonable number of players, coaches and ambassadors based on availability. Our Directors believe that in case where our Group requires the IP right or cooperation of individual football teams under LaLiga, our Group may initiate such request to LaLiga and LaLiga may arrange, accommodate or negotiate with the individual football teams.

Apart from the indirect relationship and arrangement through LaLiga, we do not have any material direct business relationship and arrangement with each individual football teams of LaLiga. Notwithstanding the lack of any IP development agreement with any individual football teams under LaLiga, our Directors believe that this does not affect the IP development as our Group can obtain support from LaLiga on reaching our target club players, coaching staff or ambassadors' appearances. By cultivating our relationship with LaLiga, we may eventually build our relationship with more individual football teams to carry IP development for their brands and even integrated marketing solutions for them in Greater China, which is an opportunity for our Group in future.

The following table sets out the agreed activities under the LaLiga Cooperation Agreements for cooperation.

Major activities/performances	Description
Building experience centres	<p>The LaLiga Cooperation Agreements with LaLiga give us the right to design, create and operate a LaLiga Club experience centre where visitors can experience the LaLiga Club atmosphere. The experience centre may include facilities such as a Spanish football museum, an interactive game zone and a genius football arena, etc.</p> <p>We expect to open the first LaLiga Club experience centre in Shanghai, the PRC in 2021.</p>
Creating online drama	<p>In August 2018, we have cooperated with Hunan Mango Entertainment Limited (湖南芒果娛樂有限公司) to invest the online drama 《出線了，初戀》 featuring LaLiga Club in the story line. The online drama was first broadcasted in the PRC on 30 April 2019.</p>

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Major activities/performances	Description
Designing and developing LaLiga Club youth training program	<p>In 2017, we entered into further agreements with LaLiga to design and develop the LaLiga Club Youth Training Program to be rolled out in primary, secondary and high schools in Shanghai and Beijing.</p> <p>The training program aims to provide the football training methods to young players in order to allow them to attain sufficient skills and competitive level through a long term integral training process. It may include a LaLiga experiential tour in Spain, interaction with LaLiga players, and training by Spanish coaches whom have the experience in LaLiga teams or youth teams.</p>
Organising live broadcasting events	<p>In October 2018, we organised, produced and promoted events for the live broadcast and promotion of the football match between F.C. Barcelona and Real Madrid (El Clásico). We intend to organise more of these events in the future.</p>
Building social network platform	<p>We have built various online platforms for LaLiga Club in PRC including Wechat and Weibo, with customer intelligence functions and for carrying out various digital campaign.</p>
Others	<p>Other activities include forming a LaLiga Club Fans League and arranging LaLiga Club elite visits to the PRC.</p>

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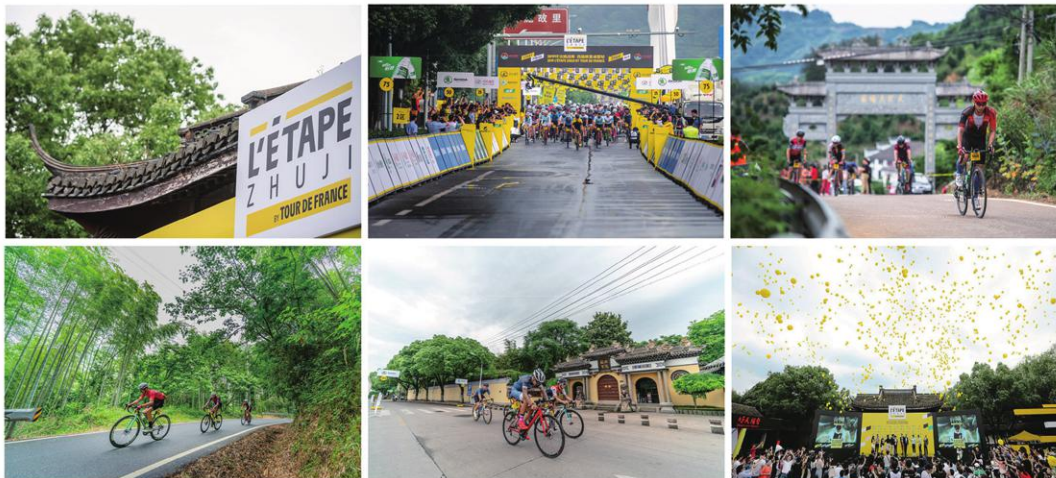
Le Tour de France

Pursuant to the ASO Cooperation Agreements, we have agreed to organise two types of cycling events in the PRC under the Le Tour de France brand, namely Critérium and L'Étape.

Critérium: A short distance, city centre circuit professional cycling race for top international riders



L'Étape: A long distance amateur cycling race where amateurs can test their performance in the same conditions as professionals



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Our Group undertakes to organise each year (i) at least one and at maximum two Critérium races and (ii) at least one L'Étape race. The following table sets out the Le Tour de France races we have completed up to the Latest Practicable Date:

Date	Race	Place
10 September 2017	L'Étape	Changsha (長沙)
29 October 2017	Critérium	Shanghai (上海)
21 October 2018	L'Étape	Beijing (北京)
17 November 2018	Critérium	Shanghai (上海)
26 May 2019	L'Étape	Zhuji Zhejiang (浙江諸暨)
16 November 2019	Critérium	Shanghai (上海)
15 December 2019	L'Étape	Chengjiang Yunnan (雲南澄江)



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北京**

The salient terms of the ASO Cooperation Agreements are set out below:

Purpose

In consideration of a licencing fee per event, our Group is granted by ASO with the exclusive rights to organise two types of Le Tour de France races, namely Critérium and L'Étape, in the PRC (the “Events”)

Granting of rights

Subject to the terms of the ASO Cooperation Agreements, ASO shall grant to our Group the following principal rights:

- (1) the exclusive rights to organise two types of Le Tour de France races, namely Critérium and L'Étape, in the PRC;
- (2) the right to exploit and promote the Critérium and L'Étape logos and the right to sublicense such rights to any third party solely for the Events;
- (3) the right to market sponsorship packages pertaining to the Events;

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- (4) the exclusive right to organise public relations programs pertaining to the Events;
- (5) the exclusive right to organise potential side events to the Events;
- (6) the right to seek and sign media licence agreements with local media partners within the PRC distribution of media rights; and
- (7) the right to produce and market merchandising products bearing the Events' logos for its sole benefit.

Intellectual Property

Our Group shall not use the Events logos or any property derived therefrom, for any event other than the related Events, regardless of how similar in nature of function such event might be, and regardless of whether they are regarded as incidental thereto. The parties shall mutually agree upon the terms and conditions and in particular the use of the related Events logos for any side events relating to or in the association with any of the Events. ASO is and will remain to be the sole holder of all Le Tour de France related intellectual property rights.

Services provided by ASO

ASO shall provide services for each Event including but not limited to:

1. Defining and validating the Events' route and site layouts, rulebook and sporting format and providing support to our Group in the relationship with the Chinese Cycling Federation;
2. Defining riders' appearance fees and prize money, and lobbying, selecting and negotiating of the 20 to 30 world's top riders to join the Events;
3. Providing sporting content of Critérium delivery including but not limited to race management, provision and coordination of the neutral technical assistance and timekeeping, photo finish and rankings;
4. Providing logistics guidelines and consultation services including but not limited to the creation of layout and technical site plan of the Events and conception and design of Le Tour De France-like race and promotional signage;
5. Providing various marketing and communication services including sending press releases to ASO's worldwide database, creating graphic guidelines of the Event and providing the Event sponsorship guidelines;
6. Providing TV production services including the production of top-quality live coverage or highlights or news of the Events and the distribution and marketing of the TV programmes dedicated to Critérium;
7. Providing general assistance to our Group in the preparation of the Events including the design of the project roadmap and provision of general consultancy through telephone and email; and

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8. Providing French and Le Tour De France content for side events such as the provision of graphical files for our Group to promote Critérium, signed jerseys to be exhibited and support to our Group in its relations with French authorities such as the French Embassy to offer French content on the Events.

**Services provided by
our Group**

Our Group shall provide services for each Event including but not limited to:

1. Ensuring that the registration of the Events and all necessary authorisations and permissions such as the filings and permissions required to close roads during the Events and authorisations for TV production are obtained;
2. Providing for and organising the travel, transfer and accommodation for riders, companions of riders, organisation staff and suppliers and international journalists;
3. Providing non in-race and in-race vehicles and source suppliers to decorate such vehicles in accordance with ASO's guidelines, etc.;
4. Producing and setting up of all logistical means, including ceremony podium, banners, sponsor banners, guest stand, jury stand, sounds equipment and barriers, etc.;
5. Providing various aspects of security services including but not limited to medical, security and cooperation with police;
6. Lobbying, selecting and negotiating of Chinese riders;
7. Providing event communication and promotion, including press conference in China and general Event promotion plan; and
8. Carrying out race day activities such as organising side events, managing teams or riders presentation and podium ceremony and ensuring a festive atmosphere at the Events.

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Term	An extended term until 2026, which the parties shall conduct reviews in between the period.
Consideration	<ol style="list-style-type: none">(1) Our Group shall pay ASO an annual fee by installments for the right to organise a Critérium and L'Étape per year;(2) If our Group decides to organise additional Critérium and L'Étape, our Group shall pay addition fee per Event; and(3) ASO shall receive a percentage fee calculated on the net revenues received by our Group from the sale of deals signed with sponsors and/or media partners brought by ASO.
Liability and insurance taken out by our Group	All commercial and advertising actions, measures and/or initiative of our Group shall be carried out under our sole and undivided responsibility. Our Group shall contract with a reputable insurance company and to maintain throughout the entire duration of the agreement statutory and customary insurance coverage for civil liability operating risks as well as traditional civil liability coverage for risks in connection with employees, third parties, ASO, its partners and Critérium participants having the status of third parties and under the policies taken out.
Termination	<p>In the event of a qualified and repeated breach of any one of the provisions of the ASO Cooperation Agreements, it may be terminated as of right, at the option of the non-breaching party, 20 days after notice of breach and opportunity to cure, served by registered letter with return notice, that shall have remained unsuccessful, without prejudice to any right to claim damages</p> <p>The Parties shall also have the right to deem the ASO Cooperation Agreements to be terminated as of right, in the event of judicial reorganisation, judicial liquidation, amiable composition, temporary receivership or dissolution of the other party or equivalent situation, without any formality being required other than the simple ascertainment of the existence of one of the said situations.</p>

We entered into a cooperation agreement with an Independent Third Party, under which both parties agreed to be exclusive partners in organising one L'Étape race per year in Hainan during the period from December 2017 to December 2021, and the L'Étape race in 2018 should be held before November 2018 (the "**Cooperation Agreement**"). In October 2018, our Group initiated a contractual claim as a result of the non-performance of the Independent Third Party for its failure to pay the cooperation management fees at the designated phases under the Cooperation Agreement between the parties.

The lower court (上海市黃埔區人民法院) ruled in favour of our Group but the Independent Third Party appealed against the judgment. In August 2019, the appeal court (上海市第二中級人民法院) upheld the lower court's judgment in favour of our Group, and thus, we received the amount of approximately RMB8 million as compensation (inclusive of tax) constituting liquidated damages, part of the claimed cooperation management fees and legal costs of the court proceedings.

Our Entertainment IP Development

During the Track Record Period, we cooperated with Stufish Productions, a world recognised leader in entertainment show based in the United Kingdom, and invested into Stufish Asia in which we and some of our senior management together owned 49% and Stufish Productions owned 51%. As we have no previous experience in the entertainment IP development sector, we decided to expand to such sector through cooperating with Stufish Productions due to its vast experience in the production of entertainment shows. Our Group initially invested approximately HK\$9.6 million for 49% shareholding in Stufish Asia and subsequently transferred 7.35% to Mr. Shaw and Ms. Cheng as an incentive for their contribution in the production and operation of our first live stunt show “ELĒKRÖN” and the business of Stufish Asia. For further details of the transfer, please refer to section headed “Financial Information – Description of Certain Items of Combined Statements of Financial Position – Investment in associates” and Note 18 to the Accountants’ Report set out in Appendix I to this prospectus.

The salient terms of the joint venture agreement between our Group and Stufish Productions are set out below:

Purpose

The parties have agreed to establish a joint venture, by investing into Stufish Asia, for the purposes of (i) expanding and developing live entertainment services in PRC, Hong Kong, Macau, Taiwan and Singapore (“**the Territory**”); and (ii) expanding and developing a business as an executive producer and general manager of live event opportunities in the Territory.

Business parameters

Subject to the terms of the joint venture agreement, the parties shall procure that Stufish Asia conduct business according to the following principles:

- (1) Commissioned shows and events
 - (a) the parties shall procure that Stufish Asia seek out commercial opportunities to general manage or line produce one off shows and events, tours and resident shows in the Territory.
- (2) Touring agency and line management
 - (a) the parties shall procure that Stufish Asia engages with live show and theatrical producers around the globe in order to win contracts to represent such shows to touring and other receiving venues in the Territory, and act as line managers or executive producers for such shows; and

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- (b) the parties will use exclusively the services of Stufish Asia to represent any touring productions in the Territory and line manage or executive produce any tours or shows in the Territory.
- (3) New productions and other events
- (a) the board of Stufish Asia will review the opportunity and resolve how Stufish Asia will engage in any dialogue or negotiation.
- Operational input provided by our Group** Our Group will:
- (1) when required and practicable, advise on matters based on its local experience and knowledge in the Territory including, but not limited to, on any operational, legal or administrative matters;
- (2) when practicable, provide project leads through its existing contact database and/or networks; and
- (3) market Stufish Asia through its existing relevant contacts and/or networks.
- Operational input provided by Stufish Productions** Stufish Productions will:
- (1) share or forward contacts and approaches for jobs to Stufish Asia if appropriate and within the terms of the agreement; and
- (2) share their know-how and offer expert consultancy and advice to Stufish Asia on all operational matters.
- Directors and management** The board of directors has responsibility for the supervision and management of Stufish Asia and its business.
- There shall be a minimum number of five directors on the board of directors made up of three directors appointed by Stufish Productions and two directors appointed by our Group.

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Profit and cost sharing arrangements

Subject to the requirements of the Companies Ordinance, and unless the parties otherwise agree in relation to any particular financial year, the parties shall procure that Stufish Asia shall distribute by way of dividend at least 50% of the profit of Stufish Asia in relation to each financial year but after making all necessary, reasonable and prudent provisions and reserves for taxation, repayment of borrowings of Stufish Asia (if any), minority interests and extraordinary items as shown in the audited accounts for that year.

Any services provided to Stufish Asia by either of the parties, which services have been agreed in advance by the board, shall be charge to Stufish Asia by that party at not more than that party's charge out rate to other customers.

Any contract services provided by third party companies that are sub-contracted by either our Group or Stufish Productions to conduct work for Stufish Asia's projects will, as between Stufish Asia and the relevant shareholder party, be based on a cost-plus arrangement for reimbursement whereby the third party service provider invoices will be provided to Stufish Asia and then reimbursed by Stufish Asia with an agreed mark up of 20% on the original invoice, unless otherwise agreed upon by the board of directors and the relevant shareholder party.

Termination

Subject to the terms of the joint venture agreement, the joint venture agreement shall terminate:

- (1) when only one party holds any shares in Stufish Asia;
- (2) as a result of a failure to resolve a deadlock situation pursuant the joint venture agreement; and
- (3) when a resolution is passed by the shareholders or creditors, or an order is made by a court or other competent body or person instituting a process that shall lead to Stufish Asia being wound up and its assets being distributed among Stufish Asia's creditors, shareholders or other contributors.

Termination effect

Termination of the joint venture agreement shall not affect any rights, remedies, obligations or liabilities of the parties that have accrued up to the date of termination, including the right to claim damages in respect of any breach of the joint venture agreement which existed at or before the date of termination.

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We had produced and operated our first live stunt show “ELĒKRŌN” at Studio City, Macau from January 2019 to July 2019. We are currently planning to hold an outdoor performance event in front of the grandstand of Zhengzhou Automobile Park. Going forward, our Group plans to develop the business with Stufish Asia in accordance with the business parameters mentioned above.



When considering investment opportunities in entertainment for our IP development segment, we normally take into account the synergy effect with our existing business. This includes whether the entertainment project will benefit us in areas such as client retention, enhancing our reputation in the industry and the possibility of future cooperation opportunities for our integrated marketing solution services and our other IP development projects.

Subject to the actual commercial negotiation, our initial plan is to participate in the creative, production and marketing of the entertainment project, but we do intend to venture into the day-to-day operation of the entertainment project once it has been launched.

We have delegated our IP development committee to screen and review our on-going and potential IP development entertainment projects. For further details of our IP Development committee, please refer to the section headed “Business – Internal Control Measures and Risk Management – Risk management policies and measures in relation to our IP development business”.

OUR INVESTMENTS IN ENTERTAINMENT PROJECTS

During the Track Record Period, our Group entered into certain investment agreements with external third parties to collaborate on the production and commercialisation of certain theatre circus shows, an online reality show and an online drama, which entitle our Group to, among others, the rights to recoup its investment amounts and to share net profit or loss of the respective entertainment projects attributable to our Group. Some of the projects include (i) 《Soho》, a live stunt show staged in London; (ii) 《超次元偶像》, a PRC online show featuring various pop stars and KOLs as guests; and (iii) 《出線了,初戀》, a PRC online drama

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featuring football and LaLiga Club. We had recognised a fair value loss of RMB4.1 million in FY2017. Such fair value loss was mainly attributable to the loss of RMB3.3 million for the production of 《超次元偶像》. Our Directors consider that the fair value loss was not material to the business of our Group, while in terms of strategic value, this show has (i) opened up our cooperation with Hunan Mango Entertainment Limited; and (ii) marketed our Group in the PRC online entertainment sector. The remaining fair value loss of RMB0.8 million in FY2017 was attributable to the production of 《Soho》, which was our first cooperation with Stufish Productions, a world recognised leader in the production of entertainment shows based in the United Kingdom. Our Directors consider that the loss of RMB0.8 million was acceptable as it was our Group’s first attempt to produce such genre of entertainment show and that Stufish Productions is a strategic business partner that can assist our Group in our mega experiential marketing projects when performers are required and that Stufish Productions may refer entertainment shows’ marketing projects to our Group. In order to safeguard our investments, we have delegated our IP development committee to screen and review our on-going and potential IP development entertainment projects. For further details of our IP development committee, please refer to the section headed “Business – Internal Control Measures and Risk Management – Risk management policies and measures in relation to our IP development business”. For further details, please refer to Note 19 to the Accountants’ Report set out in Appendix I to this prospectus.

The investments in entertainment projects of our Group were mainly for investment purpose and our Group was not involved directly in the production/operation of those entertainment projects. Accordingly, the changes in fair value of the entertainment projects were classified and included in “Other expenses, net” in the combined statements of profit or loss. For further details of the movements in investments in entertainment projects, please refer to the section headed “Financial Information – Investments in Entertainment Projects”.

OUR PROJECTS

Summary of Top 10 Projects

The following table sets out the details of our top 10 integrated marketing solution projects in terms of revenue recognised in each of the respective year/period during the Track Record Period.

For FY2016

Ranking	Type of services we provided	Brand of client	Client’s main operating industry	Project brief description	Indicative contract sum ⁽¹⁾ RMB’000	Revenue recognised for FY2016 RMB’000	Gross profit margin %
1	Experiential marketing	Client C	Luxury fashion	Fashion show	18,668	18,668	37.3
2	Experiential marketing	Client F	Premium car manufacturer	Event for new release of car model	14,949	14,949	35.8
3	Experiential marketing	Client D	Premium car manufacturer	Client sponsored a fashion week and showcased their car models during the fashion week	13,121	12,994	19.7
4	Experiential marketing	Client M	Premium car manufacturer	Event for new release of car model	11,000	11,000	25.4
5	Experiential marketing	Client B	Fine jewelry	Art and gems exhibition	10,327	10,327	20.6

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Ranking	Type of services we provided	Brand of client	Client's main operating industry	Project brief description	Indicative contract sum ⁽¹⁾ RMB'000	Revenue recognised for FY2016 RMB'000	Gross profit margin %
6	Experiential marketing	Client H	Premium car manufacturer	Event for new release of car model	9,250	9,250	19.3
7	Experiential marketing	Client G	Premium car manufacturer	Client's new year music festival	9,540	8,672	(3.4) ⁽²⁾
8	Experiential marketing	Client N	Lifestyle fashion	Client sponsoring an NBA stars China Tour	8,585	8,585	48.5
9	Experiential marketing	Client O	Premium car manufacturer	Event for new release of car model	8,019	7,550	28.9
10	Experiential marketing	Client P	Local fashion association	2016 Fashion Week	6,789	6,923	30.3

For FY2017

Ranking	Type of services we provided	Brand of client	Client's main operating industry	Project brief description	Indicative contract sum ⁽¹⁾ RMB'000	Revenue recognised for FY2017 RMB'000	Gross profit margin %
1	Experiential marketing	Client C	Luxury fashion	Women's fashion event in Shanghai	22,184	22,184	37.9
2	Experiential marketing	Client F	Premium car Manufacturer	Event for new release of car model	19,583	19,583	20.5
3	Experiential marketing	Client D	Premium car manufacturer	Event for new release of car model	19,333	18,868	24.2
4	Experiential marketing	Client D	Premium car manufacturer	Test driving event	17,315	17,315	24.0
5	Experiential marketing	Client D	Premium car manufacturer	Test driving event	12,806	12,797	11.3
6	Experiential marketing	Client D	Premium car manufacturer	Test driving event	22,707 ⁽⁵⁾	12,559	19.6
7	Experiential marketing	Client D	Premium car manufacturer	Test driving event	12,402	12,394	17.6
8	Digital and brand communication	Client I	Lifestyle fashion	Comprehensive digital marketing campaign	10,772	11,027	22.7
9	Experiential marketing	Client D	Premium car manufacturer	Test driving event	22,707 ⁽⁵⁾	10,048	20.4
10	Experiential marketing	Client A	Luxury fashion	An exhibition in Chengdu	8,076	8,076	45.4

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For FY2018

Ranking	Type of services we provided	Brand of client	Client's main operating industry	Project brief description	Indicative contract sum ⁽¹⁾ RMB'000	Revenue recognised for FY2018 RMB'000	Gross profit margin %
1	Experiential marketing	Client G	Premium car manufacturer	Event for new release of car model	31,997	31,700	15.3
2	Experiential marketing	Client G	Premium car manufacturer	Test driving event	26,357	23,817	5.1
3	Experiential marketing	Client C	Luxury fashion	Fashion event	22,610	22,610	28.3
4	Digital and brand communication	Client I	Lifestyle fashion	Comprehensive digital marketing campaign	18,463	18,463	10.7 ⁽⁴⁾
5	Experiential marketing	Client H	Premium car manufacturer	Event for new release of car model	18,347	18,347	8.7
6	Experiential marketing	Client Q	Luxury fashion	Fashion exhibition	16,467	16,467	27.9
7	Experiential marketing	Client H	Premium car manufacturer	Event for new release of car model	14,174	14,177	10.0
8	Experiential marketing	Client R	Hotel	Grand opening event and gala dinner	13,962	13,962	16.4
9	Experiential marketing	Client S	E-commerce platform developer	Event for "Double 11" festival in PRC	11,509	11,604	23.7
10	Experiential marketing	Client S	E-commerce platform developer	Event for "8 March Women's Day" in PRC	11,145	11,145	21.1

For 6M2019

Ranking	Type of services we provided	Brand of client	Client's main operating industry	Project brief description	Indicative contract sum ⁽¹⁾ RMB'000	Revenue recognised for 6M2019 RMB'000	Gross profit margin %
1	Experiential marketing	Client J	Luxury fashion	Fashion show	18,713	18,713	27.3
2	Experiential marketing	Client A	Luxury fashion	Exhibition in Shanghai	17,238 ⁽⁶⁾	14,969	29.0
3	Experiential marketing	Client A	Luxury fashion	Exhibition in Shanghai	8,499 ⁽⁶⁾	10,739	32.3
4	Experiential marketing	Client L	Fine jewelry	Jewellery exhibition	10,378	10,378	26.1

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Ranking	Type of services we provided	Brand of client	Client's main operating industry	Project brief description	Indicative contract sum ⁽¹⁾ RMB'000	Revenue recognised for 6M2019 RMB'000	Gross profit margin %
5	Experiential marketing	Client K	Telecommunications	Exhibition in Shanghai	7,924	7,924	13.0 ⁽³⁾
6	Experiential marketing	Client E	Luxury fashion	Event for press preview	7,819	7,913	28.8
7	Experiential marketing	Client H	Premium car manufacturer	Event for new release of car model	6,860	6,955	6.1
8	Experiential marketing	Client P	Local fashion association	2019 Fashion Week	6,635	6,635	31.4
9	Experiential marketing	Client D	Premium car manufacturer	Event for new release of car model	5,836	5,827	13.8
10	Experiential marketing	Client T	Wines & spirits	VIP gala dinner	5,472	5,472	30.8

Notes:

1. The indicative contract sum may not necessarily equal to the revenue recognised by our Group for a particular project due to factors such as ad hoc changes, price re-negotiation and etc. From time to time our clients may make ad hoc changes to the initial plan. Changes may include further decoration of venue, additional furniture, audio, video and lighting equipment, request for additional third party services etc.
2. Project 7 for FY2016 has a negative gross profit margin of 3.4%. Originally it was our plan to undertake this project at cost and offer Client G with such discount in order to build up our business relationship. Our Group experienced a slight cost overrun when executing such project and as there was no buffer built in our price, it resulted in a gross loss position. Subsequently, Client G engaged us for Project 1 for FY2018 and Project 2 for FY2018, which were the two largest projects in terms of revenue contribution in FY2018.
3. Project 5 for 6M2019 has a lower gross profit margin of 13.0%. It was mainly because this exhibition will be repeated and we expect the gross profit margin for the repeated exhibition will be higher as many of the production materials can be reused.
4. Project 4 for FY2018 has a lower gross profit margin for a digital and brand communication project mainly because this project involved an advertisement shooting and additional costs were spent on KOLs.
5. Project 6 for FY2017 and Project 9 for FY2017 were engaged under the same contract for test driving events for different seasons and at different locations.
6. Project 2 for 6M2019 and Project 3 for 6M2019 were related to the same event but each in relation to different aspects of the event.

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Project by Clients' Industry

The following table sets out a breakdown of number and the financial performances of our integrated marketing solutions projects by our clients' industry.

Clients' industry	Number of projects	Revenue (RMB'000)	Gross profit (RMB'000)	Gross profit margin (%)
FY2016				
Fashion and Jewellery	250	220,109	92,157	41.9%
Automobile ⁽¹⁾	22	85,610	20,927	24.4%
Others	67	52,721	21,280	40.4%
Total	339	358,440	134,364	37.5%

Clients' industry	Number of projects	Revenue (RMB'000)	Gross profit (RMB'000)	Gross profit margin (%)
FY2017				
Fashion and Jewellery	310	257,548	92,348	35.9%
Automobile ⁽¹⁾	31	145,678	32,038	22.0%
Others	90	49,687	19,873	40.0%
Total	431	452,914	144,260	31.9%

Clients' industry	Number of projects	Revenue (RMB'000)	Gross profit (RMB'000)	Gross profit margin (%)
FY2018				
Fashion and Jewellery	357	393,781	127,913	32.5%
Automobile ⁽¹⁾	27	118,694	17,842	15.0%
Others	139	133,457	30,455	22.8%
Total	523	645,931	176,210	27.3%

Clients' industry	Number of projects	Revenue (RMB'000)	Gross profit (RMB'000)	Gross profit margin (%)
6M2019				
Fashion and Jewellery	158	174,536	55,295	31.7%
Automobile ⁽¹⁾	11	21,688	3,464	16.0%
Others	69	57,361	18,066	31.5%
Total	238	253,586	76,825	30.3%

BUSINESS

Note:

- (1) Generally speaking, projects carried out for our automobile brand clients had a lower gross profit margin as compared with fashion and jewellery projects, but in terms of contract amount, automobile projects tend to have larger contract sum.

Projects by Project Size and Revenue Contribution

The following table sets out the breakdown of our integrated marketing solutions projects by project size and revenue contribution.

	Year ended 31 December						Six months ended	
	2016		2017		2018		30 June 2019	
	Projects	Revenue RMB'000	Projects	Revenue RMB'000	Projects	Revenue RMB'000	Projects	Revenue RMB'000
More than RMB10 million	5	67,938	9	136,775	10	182,293	4	54,800
More than RMB5 million to RMB10 million	9	65,639	10	64,169	18	116,074	7	46,028
More than RMB2 million to RMB5 million	34	109,761	32	103,526	52	169,865	19	65,067
More than RMB1 million to RMB2 million	35	48,085	42	56,013	51	69,529	27	38,183
Less than or equal to RMB1 million	256	67,017	338	92,431	392	108,170	181	49,508
Total	339	358,440	431	452,914	523	645,931	238	253,586

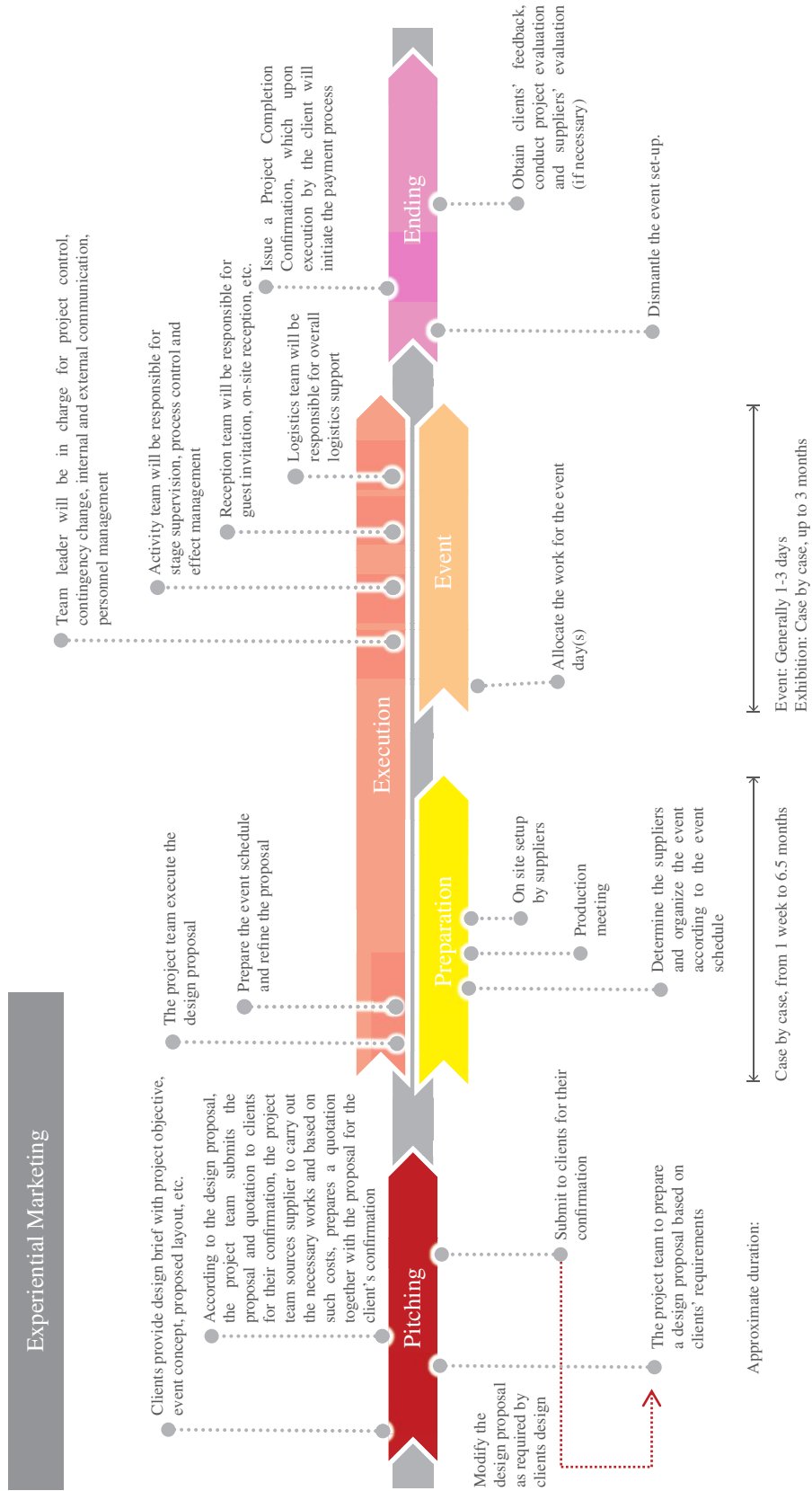
Projects by Project Basis and Retainer Basis

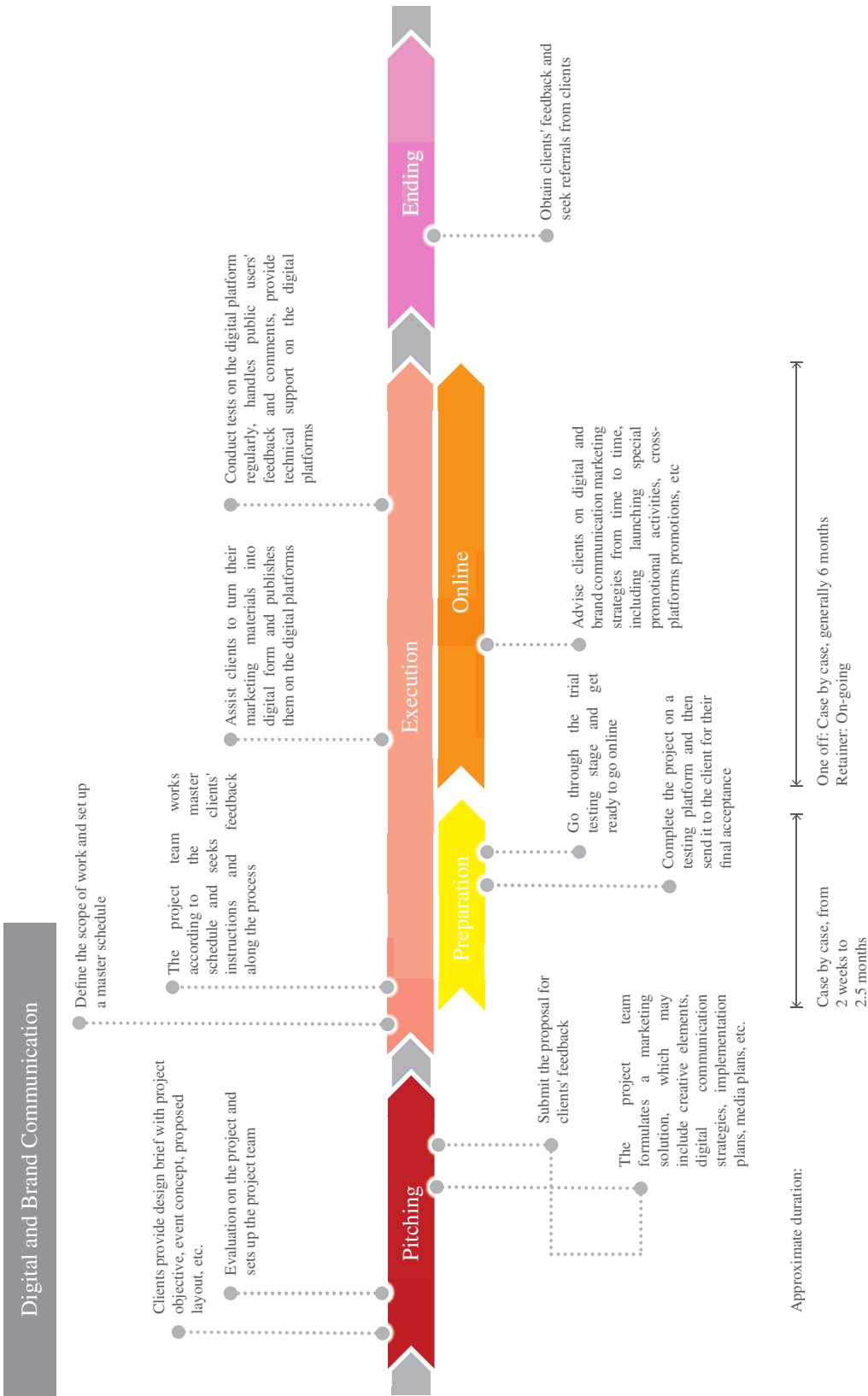
The proportion of our revenue generated on project basis accounted for approximately 97.9%, 98.1%, 95.9% and 94.2% for FY2016, FY2017, FY2018 and 6M2019, respectively, while the proportion of our revenue generated on retainer basis accounted for approximately 2.1%, 1.9%, 4.1% and 5.8% for FY2016, FY2017, FY2018 and 6M2019, respectively.

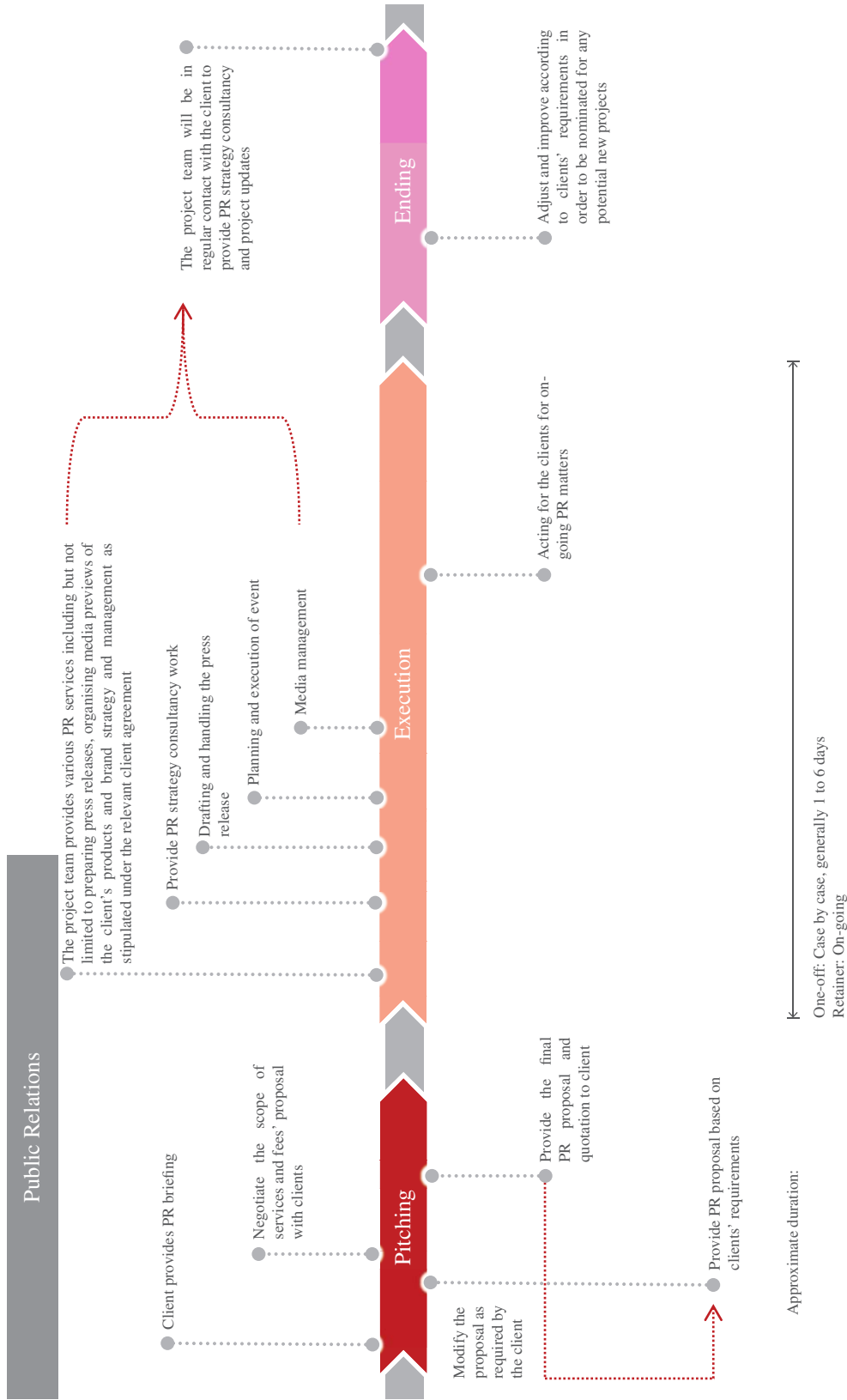
OUR OPERATION PROCESS FOR INTEGRATED MARKETING SOLUTIONS

Flow Charts of our operation process

The key steps typically undertaken by us throughout the implementation of our marketing solutions are illustrated below:







Different Phases of our operation process

As set out in the flow charts of our operation process above, our operation process for each type of integrated marketing solutions projects are similar and can be largely divided into three phases – namely pitching, execution and ending.

Pitching

Generally speaking, the pitching phase refers to the period when we prepare a presentation to the client for a potential project until we are engaged by our clients for our tailor-made marketing solutions. The process involves (i) reviewing the project brief from the client; (ii) formulating a competitive marketing solution and preparing a quotation; and (iii) presenting our proposal to the prospective clients for their consideration. Set out below are some key features of our operation process in the pitching phase.

Review the design brief from our prospective client

When we prepare a proposal and/or quotation for a prospective client, we typically take into consideration of the requests and key performance indicators provided by them in their project brief. The brief typically outlines matters such as project objective and communication goal, event concept, proposed layout of the venue and products that will be provided at the event.

Internal assessment and evaluation on the project

Our senior management will evaluate the prospective project and then assign suitable staff to form a team for the project. Our team will study in detail the features of the project and seek for uniqueness that can differentiate our marketing solutions from our competitors. In evaluating the project, our Group generally considers, among other factors, the following: (i) purpose of the project; (ii) client's expectation; (iii) the nature and scale of the project and technical specifications; (iv) the availability of our human resources; (v) special difficulties of the project; and (vi) impression of our marketing solution proposal brought to our client.

Formulating the marketing solutions proposal and budget plan

After our internal assessment and evaluation on the project, our project team will then arrange for the formulation of a marketing solutions proposal and budget plan. Normally, the formulation process will involve, among others, (i) researching on similar projects; (ii) assessing alternative marketing solutions; (iii) comparing the strengths and weaknesses of such alternatives; (iv) seeking our suppliers feedback regarding their capacity and obtaining fee quotations; (v) obtaining feedback from clients and understanding their preference; (vi) producing designs and drawings for our clients' review; and (vii) preparing the digital or public relations communication plan.

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Based on the preliminary fee quotations provided by our suppliers and our estimation on our cost to be incurred, our project team will prepare the preliminary profit and loss accounts plan setting out the initial budget for completing the project for the purpose of determining our proposed quotation price in accordance with our cost-plus pricing policy for approval by our management. For details of our Group's pricing strategies, please refer to the section headed "Business – Pricing Strategies" in this prospectus.

Presenting our marketing solutions to the prospective clients for their selection

When presenting our marketing solutions to our prospective clients, we generally include the tailor-made marketing solutions, general description on the scope of work, our proposed price, our proposed project team structure and a discussion on our view of the project and the value of our proposed marketing solutions.

Upon submission of our marketing proposal, we may receive additional queries on various aspects from the clients. The project team will prepare responses to such queries and modify the marketing solution. If our marketing proposal is selected, we would proceed to enter into agreements with our clients.

Execution

Generally speaking, the execution phase refers to the period when we carry out the scope of work contained in our marketing proposal. For experiential marketing, execution phase comprises of the preparation and the event. For digital and brand communication, execution phase comprises of the preparation and going online. Set out below are some features of our operation process in the execution phase.

Planning

Based on the agreed marketing solution, the project team will set out a project execution plan to implement the marketing solution. Our project team would also arrange additional meetings with our clients to gain an in-depth understanding of the clients' requirements, to clarify any technical queries we may have and to request further information for the implementation of the project, if needed. After obtaining a clear understanding of the project requirements, our project team would proceed to prepare a master schedule setting out key project milestone dates for the purpose of monitoring the project implementation and devise detailed and actionable plans on various aspects of the works to be carried out. The master schedule and plans are subject to our clients' approval. The master schedule needs to be stringently monitored and followed in order to ensure the event or the going online can be organised on the scheduled event day without delay.

BUSINESS

Venue decoration designs and miscellaneous event designs (for experiential marketing)

After the venue has been set, our project team would work on the construction and installation drawings and general building plans of the venue. Our project team will prepare drawings with actual measurements of the dimensions of the venue together with proposed design structures and furnishings for our clients' review and approval at the design proposal stage to avoid any delay to the completion of the project by any subsequent changes made to the design due to any technical issues.

Engagement of suppliers and procurement of materials (for experiential marketing)

As part of our work scope, our Group is responsible for liaising with various parties of the project, including the contractors for production of events material and installation services, services providers, caterers, media and etc. Based on the budget plan, our project team will screen and engage suitable suppliers to confirm the engagement of their services. Also our Group is required to order the materials for the marketing solutions. In many experiential marketing occasions, our access to the venue of the event is limited to certain time and dates. For such reasons, we will need to carefully time the procurement of materials to ensure that the material can be delivered to the venue at the required time. For project management purposes, our project team will prepare a materials schedule setting out all the materials required to be supplied for the relevant project to ensure the timely and adequate supply of materials. Sometimes, we will also procure material control samples, such as sample boards and mock up for the approval of our clients.

Site work (for experiential marketing)

Upon having access and control of the event venue for decoration purpose, we would conduct a take-over inspection of the site to allow us to accurately understand the physical condition of the site and its adjoining areas, including all existing equipment, materials, fittings and curtain walls, and ascertain that the site condition is suitable to commence decorative design as planned. If any material deficiency is discovered, we would need to immediately modify our proposal, report to our clients and seek their approval if necessary.

Our production project team is responsible for the management and coordination of the overall implementation of the decorative works. We will assign a supervisor for monitoring the daily workmanship, quality and safety supervision of the on-site activities of contractors to ensure that the site work meets the design specifications and the site-work being implemented in accordance with the master schedule.

Variation and additional services (if any)

Our clients may modify our initial scope of services as set out in the relevant contract by requesting for additional services such as further audio and video equipment and crew, security services and on-site repair services. Other variations to the initial contract may include the extension of the service term.

BUSINESS

If our clients request such additional services, we would assess the feasibility and try to carry out the requested variation or additional services as best as we can. After receiving such instructions, we would prepare a supplemental quotation to provide the additional services for our clients' approval. Our Group would then confirm the content of the variation orders with our clients by signing a supplemental agreement which sets out the fees required for the additional services. The basis of calculating the additional fees associated with the variation and additional services is typically in line with our pricing policy for preparing our marketing solutions. We respect clients' change of preference and we will try to work closely with our client throughout the project to minimise such variation fees.

Event (for experiential marketing)

The event phase refers to the event day(s), where we will finally launch the experiential marketing solutions together with our client. Our project team will need to cope with the tension and to carry out the event as planned. Our project team will also need to be responsive and be quick to provide solutions in case various problems arise during the event phase. Our project team will be separated into smaller groups, whereas our team leader will be in charge of overall event control, deciding on contingency change, internal and external communication and personnel management; our activity team will be responsible for stage supervision, process control and effect management; our reception team will be handling external guests' request and communication; and our logistics team will be supporting the whole event to ensure that it proceeds smoothly.

Digital preparation and going on-line (for digital and brand communication)

We typically agree on a detailed scope of work with our client as to the digital and brand communication services which we will provide. This includes, but is not limited to, creating a WeChat registration and sign-in page for an event, creating a platform for guests to upload photos or videos to share their experience of the event, conducting test runs on the platform and installing the required equipment on-site. For social media campaigns, we also provide social communication strategies, prepare content to be published on social media platforms such as Weibo and WeChat as well as maintenance of the same.

After going online, apart from continuing assisting our client to publish new content on the digital platform, we also assist our clients on technical support as well as providing advice on further digital and brand communication marketing strategies. Some aspects of technical support include preparing a report showing the number of visits made to the platform, sales data and customer interactions made on the platform. Some examples of business strategies advice to clients may include launching special promotional activities online, cross-platforms promotions, etc..

Ending

Prepare post event project report

For some of our clients which require post project reports, we would prepare a detailed report which records and features the project highlights and details, including the theme of the project, the flow of the event, photos and videos of the event, guest lists, sponsor lists, guests feedback, media coverage, etc. The post project report will be delivered and presented to our clients as part of our client relationship management.

Client relationship management

We value our clients' interest and their project experience with us. During the course of the project, our client accounts team is responsible for the day-to-day relationship management with the client and will address their requests and concerns as required.

Upon completion of a project, we will send a project completion confirmation to the client in order to ensure that they are satisfied with the work that has been carried out. The client is required to either confirm that they are satisfied with the projects carried out or provide the reasons for their dissatisfaction, if any.

OUR CLIENTS

During the Track Record Period, our clients mainly include well established brands seeking for marketing solutions. Projects with our clients are primarily through quotation and involve a selection process of marketing solution proposals. Our Group obtains new projects from existing customers as a result of our standard of performance, quality of the service and effectiveness in achieving their marketing objectives in previous projects, whereas our new clients are introduced to us through client referrals or word-of-mouth.

During the course of our normal business operation, our Group has categorised and grouped clients by brands instead of by project contracting entities. We noted that (i) certain brands of clients may, due to their own marketing expenses allocation need, engage our services through different entities, but under the same brand; (ii) for each brand, our Group takes instructions directly from the brand's operation team, without the involvement of the contracting party or paying party; and (iii) some conglomerates in the luxurious market sector operate a large number of luxurious brands under the same group, but in terms of project engagement, we believe each brand under the conglomerate group operates independently. Under these circumstances, our Group adopted the practise of categorising and grouping clients by brands instead of by contracting parties, as this best suits our operation model.

Our Group provides each type of integrated marketing solutions services in accordance with relevant scope of services and service fees specified in separate identifiable service contracts/agreements and the revenue from each service line is determined based on the agreed terms and fees in the separate contracts/agreements.

BUSINESS

Most of our clients assess our performance mainly based on our effectiveness in achieving their marketing objectives as set out in the scope of work and/or key performance indicators in the contract with the clients. The key performance indicators used by our clients to assess our Group's performance include (i) quality of services for our experiential marketing services; (ii) KOL campaign strategy with content requirements and social media reach and engagement for our digital and brand communication services; and (iii) media outreach, quality of coverage and engagement rate of celebrity and KOL for our public relations services.

Five largest clients

During the Track Record Period, we derived approximately 29.1%, 40.1%, 26.6% and 32.6% of our revenue from our five largest brands of clients, respectively. For the same period, we derived approximately 7.9%, 17.4%, 8.5% and 11.3% of our revenue from our largest brand of client, respectively.

The revenue derived from the experiential marketing services is recognised at the point in time when the event is held/completed with all relevant services rendered. Digital and brand communication services revenue is recognised over the contract period. Public relations services revenue is also recognised over the contract period.

The table below set forth the five largest brands of clients of our Group during the Track Record Period:

For FY2016

Rank	Brand of client	Client's main operating industry	Type of services we provided	Approximate years of business relationship	Revenue recognised (RMB'000)	Percentage of total revenue (%)
1	Client A	Luxury Fashion	Integrated marketing solutions	5	28,757	7.9
2	Client B	Fine Jewelry	Integrated marketing solutions	5	23,101	6.4
3	Client C	Luxury Fashion	Integrated marketing solutions	5	19,829	5.5
4	Client D	Premium Car Manufacturer	Integrated marketing solutions	4	18,259	5.0
5	Client F	Premium Car Manufacturer	Integrated marketing solutions	2	15,270	4.2
Total:					<u>105,216</u>	<u>29.1</u>

BUSINESS

For FY2017

Rank	Brand of client	Client's main operating industry	Type of services we provided	Approximate years of business relationship	Revenue recognised (RMB'000)	Percentage of total revenue (%)
1	Client D	Premium Car Manufacturer	Integrated marketing solutions	4	85,554	17.4
2	Client A	Luxury Fashion	Integrated marketing solutions	5	35,048	7.1
3	Client C	Luxury Fashion	Integrated marketing solutions	5	31,059	6.3
4	Client F	Premium Car manufacturer	Integrated marketing solutions	2	22,898	4.6
5	Client B	Fine Jewelry	Integrated marketing solutions	5	22,887	4.6
Total:					<u>197,446</u>	<u>40.1</u>

For FY2018

Rank	Brand of client	Client's main operating industry	Type of services we provided	Approximate years of business relationship	Revenue recognised (RMB'000)	Percentage of total revenue (%)
1	Client G	Premium Car Manufacturer	Integrated marketing solutions	4	57,852	8.5
2	Client C	Luxury Fashion	Integrated marketing solutions	5	37,931	5.5
3	Client H	Premium Car Manufacturer	Integrated marketing solutions	5	32,524	4.8
4	Client I	Lifestyle Fashion	Integrated marketing solutions	3	27,688	4.0
5	Client A	Luxury Fashion	Integrated marketing solutions	5	26,293	3.8
Total:					<u>182,288</u>	<u>26.6</u>

BUSINESS

For 6M2019

Rank	Brand of client	Client's main operating industry	Type of services we provided	Approximate years of business relationship	Revenue recognised (RMB'000)	Percentage of total revenue (%)
1	Client A	Luxury Fashion	Integrated marketing solutions	5	30,812	11.3
2	Client J	Luxury Fashion	Integrated marketing solutions	4	22,773	8.3
3	Client E	Luxury Fashion	Integrated marketing solutions	5	12,667	4.6
4	Client K	Telecommunications	Integrated marketing solutions	1	12,408	4.5
5	Client L	Fine Jewelry	Integrated marketing solutions	5	10,378	3.8
Total:					<u>89,038</u>	<u>32.6</u>

Notes:

1. The brands of our Group's clients may engage our Group's services through different legal entities under the same brands. As such, we categorise our clients by brands instead of by legal entities, which best suit our Group's operation model.
2. Client A is a French brand which has been founded for more than 100 years. It is a fashion house that specialises in luxury goods and fashion accessories.
3. Client B is a French luxury jewellery, watch and perfume brand. It has been founded for more than 100 years.
4. Client C is a French luxury brand with more than 100 years of history specialises in leather, lifestyle accessories, home furnishings, perfumery, jewellery, watches and ready-to-wear fashion.
5. Client D is a German headquartered global automobile brand known for premium vehicles. Client D has approximately 90 years of history.
6. Client E is a French luxury goods brand with more than 70 years of history.
7. Client F is a Swedish headquartered automobile brand.
8. Client G is a German headquartered automobile brand known for premium vehicles. Client G has approximately 50 years of history.
9. Client H is a German headquartered global automobile brand known for premium vehicles. Client H has approximately 100 years of history.
10. Client I is an American outdoors wear and footwear brand. It has approximately 90 years of history.
11. Client J is an Italian luxury fashion house specialising in leather handbags, travel accessories, shoes, fashion and perfumes. Client J has approximately 100 years of history.
12. Client K is a Swedish telecommunications company.

BUSINESS

13. Client L is a French luxury jeweller and watches brand with more than 170 years of history.
14. To the best knowledge of the Directors, Client B and Client L were under the same group of a Swiss conglomerate of luxury goods. However, our Directors have taken the view that Client B and Client L should be separate clients to our Group, as during the course of business with Client B and Client L, we had taken entirely independent instructions from Client B and Client L respectively.

All of our five largest brands of clients during the Track Record Period are Independent Third Parties of our Group, and none of our Directors or their respective close associates or any of our Shareholders holding more than 5% of the issued share capital of our Company had any interest in any of our five largest brands of clients of our Group during the Track Record Period. To the best knowledge of the Directors, none of the five largest brands of clients of our Group is also a supplier of our Group.

During the Track Record Period, we have maintained a good relationship with our clients and there were no material disputes between our five largest brands of clients and our Group. We have not received any material written complaints from our five largest brands of clients during the Track Record Period.

General contract terms with clients

The general terms of our service contracts vary based on negotiations with our clients and the contract forms used by our clients. We generally adopt a credit term of 60 to 90 days after the date of invoice with our clients as our policy. Our revenue is mainly recognised from non-retainer projects. For non-retainer projects, payment from our clients is based on milestone dates as specified in the contracts. Terms of a non-retainer contract normally include the following:

<i>Confirmation of execution plan</i>	Depending on the terms of the contract, the client is typically required to review our execution plan and to provide written confirmation within the stipulated timeframe.
<i>Payment terms</i>	Depending on commercial negotiation, it may involve project fees payable upon signing of agreement, a certain negotiated amount as intermediary payment and the remaining sum payable on or after the event day.
<i>Payment mechanism</i>	Our Group shall issue a formal invoice according to the payment terms and upon receiving the formal invoice, the clients shall settle the amount in accordance with the stipulated credit period.
<i>Variation orders and additional services</i>	Where the client requests for variation to the original proposal and/or additional services, our Group reserves the right to seek additional payments for the same.

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Liability

Depending on the terms of the contract, our Group may be entitled to recover from the client liquidated damages in respect of any breach of contract by the client and the client may be entitled to claim compensation for actual loss in respect of any breach of contract by our Group.

IP infringement

Depending on the terms of the contract, the design proposals produced by our Group, including the photos, information and data used in such proposals, shall not infringe upon or otherwise violate intellectual property rights or other rights held by third parties.

SEASONALITY

Our Group's business is subject to seasonality. We typically record lower sales during the first half of the financial year. According to the CIC Report, the marketing services for premium and luxury brands in the PRC would usually experience a trough in the first quarter, then recover and gather momentum in the second quarter and remain high until the end of the year, as premium and luxury brands in the apparel, handbag and luggage and footwear segment normally introduce their latest fashion trends and launch the promotion campaign in the second half of the year.

INVENTORY CONTROL

Our Group does not hold inventory for projects. The materials for each engagement are sourced and purchased on a project basis.

PRICING STRATEGIES

Our Group adopts various pricing strategies including a cost-plus pricing model, business breakeven point analysis or a fixed fee approach when providing quotations. When determining the amount of mark-up, we take into account various factors, including the scope of work, scale, duration and complexity of the project, the costs of labour, material, venue, background of the client, fees charged for previous similar projects and the current market conditions. The cost-plus pricing model is generally applicable to our quotation for variation and additional works as requested by the clients. The business breakeven point analysis approach is generally applicable to our IP development projects, in particular for our Le Tour de France races. The fixed fee approach is generally applicable to our retainer projects, which we receive a fixed fees per month for our retainer works. When pricing bundled services (for example, when the project has substantial elements in more than one type of services in experiential marketing services, digital and brand communication services and/or public relations services), unless specified by the client, we typically provide separate fee quotation for each type of services offered in the project. We also welcome and offer the flexibility to the client to engage us on a non-bundled manner. The revenue derived from experiential marketing services is recognised at the point in time when the event is held/completed with all relevant services rendered. Digital and brand communication services revenue is recognised over the contract period. Public relations services revenue is also recognised over the contract period.

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During the Track Record Period, the project fees charged by our Group for our integrated marketing solutions were analogous to the revenue of our Group for our integrated marketing solutions. It is due to the nature of our business that, save for retainer projects, our integrated marketing solutions were generally very short and that the revenue for integrated marketing solutions of our Group is recognised at the point in time when the event is held/completed with all relevant services rendered. Please refer to the section headed “Business – Our Projects” for further details and breakdown of project fees we charged during the Track Record Period.

For further information on our implied marked-up of our cost-plus pricing model, please refer to the disclosure on gross profit margin as disclosed and in the section headed “Business – Our Integrated Marketing Solutions – Experiential marketing” and the analysis on gross profit margin in the section headed “Financial Information”.

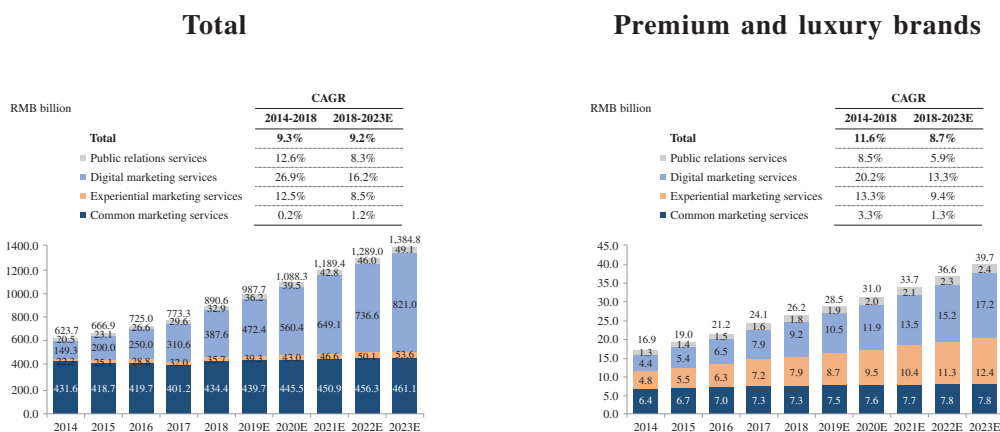
COMPETITIVE LANDSCAPE

Industry outlook and prospect

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

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

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



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

Competitive landscape

According to the CIC Report, the experiential marketing service for premium and luxury brands market in Greater China is relatively concentrated, with the leading five market participants accounting for a share of approximately 19.0% in terms of revenue in 2018. Our Group is a leading and fast growing integrated marketing solutions provider who ranked first, with a revenue of RMB0.5 billion in 2018, accounting for a share of approximately 6.3% in the experiential marketing service for premium and luxury brands market in Greater China, the market where our Group is operating and which has a market size of approximately RMB7.9 billion.

LICENCES AND PERMITS

Save as disclosed in the section headed “Regulatory Overview”, there is no specific licencing requirement for conducting our business in the PRC and in Hong Kong in addition to what is generally required for carrying on businesses in the PRC and Hong Kong respectively. As at the Latest Practicable Date, our Group has obtained all material licences, permits and certificates which are necessary for our operations in the PRC and in Hong Kong.

From time to time during the course of our business, our Group requires ad hoc registrations and permissions to complete our projects. Some common types of registrations and permissions include (i) the public security registration (公安備案) as required under the *Regulations on Safety Administration of Large-scale Public Activities* (《大型群眾性活動安全管理條例》) for organising a public event in the PRC and (ii) the Temporary Places of Public Entertainment Licence issued by FEHD under Places of Public Entertainment Ordinance (Cap. 172 of Laws of Hong Kong) for organising a public event in Hong Kong. Our Group will seek professional advice and engage suitable parties if necessary to obtain such registrations on behalf of our clients.

OUR SUPPLIERS

As we provide integrated marketing solutions to our clients, our suppliers are of many types. Some of the common suppliers include venue providers, contractors to set up the venue, production and material suppliers, advertising agents, media, equipment rental companies, transportation and security companies. In a typical experiential marketing project (i.e. an event or exhibition), contractors are mainly responsible for setting up and decorating the venue, material suppliers are responsible for supplying us with materials needed for the events and advertising agents and media are required to promote the events to outsiders. We normally require our material suppliers to deliver the materials directly to the venue, and our Group does not hold these materials as our own inventory. Our suppliers for our digital and brand communication services include service providers for KOL engagement and management, videography or video production and technical productions, whereas our suppliers for our public relations services include media, hotels, service providers for etiquette services and catering companies.

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We have maintained an extensive network of suppliers. Save for the IP Cooperation Agreements, we have not entered into any long-term contracts with any of them. All suppliers are required by our Group to hold all necessary licences and permits in order to be qualified to be our approved suppliers. We engaged over 700, 1,000, 1,200 and 600 suppliers during the Track Record Period, respectively. Our Directors consider that our Group does not depend on any particular supplier, as we have alternative suppliers to provide the services and goods that we require.

We enter into agreements with our suppliers, and the terms vary depending on, among other things, the types of supplier we need.

Management of suppliers

For experiential marketing, we are responsible to our clients for the quality of items used in the events (i.e. carpet, furniture, audio and visual equipment and etc.), as well as workmanship quality and timely delivery of the entirety of the event work for which we are engaged to manage and oversee. Similarly, for digital and brand communication, we are responsible to our clients for the suppliers in relation to the on-line platform and digital contents for which we are engaged for. It is therefore essential for us to adopt internal control measures to ensure the quality of our suppliers. Suppliers who would like to be included in our approved list are required to complete and return our prescribed application form for registration.

Our Group selects our approved suppliers based on their credibility, reputation, pricing, their history of operation in their field of expertise, quality of services and our previous working experience with them. At the time of delivery and/or supply of the products/services, we would inspect to ensure that the products/services are satisfactory and in line with the supplier contract. In the event of any defects or issues which need to be rectified by the supplier, we typically liaise with the supplier on site to resolve the issue as soon as possible.

During the Track Record Period, we did not have any significant difficulties in procuring services from or any disputes with our material suppliers. There was no significant delay in the provision of services by our material suppliers which caused disruption to our projects. During the Track Record Period and up to the Latest Practicable Date, we did not have any shortage of suppliers for carrying out the services required in our projects, and we did not have any material disputes with any of our suppliers.

Five largest suppliers

During the Track Record Period, aggregate cost paid to our five largest suppliers accounted for less than 30% of our total cost for the respective period. During the Track Record Period, approximately 24.5%, 25.5%, 18.1% and 23.1% of our total cost were attributable to our five largest suppliers, respectively. For the same period, approximately 10.5%, 8.2%, 5.7% and 8.3% of our total cost were attributable to our largest supplier, respectively.

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The table below sets forth the five largest suppliers of our Group during the Track Record Period:

For FY2016

Rank	Name of suppliers	Type of services provided	Approximate years of business relationship	Cost of providing services (RMB'000)	Percentage of total cost (%)
1	Supplier A	production of events materials and installation services	5	23,815	10.5
2	Supplier B	production of events materials and installation services	6	12,085	5.3
3	Supplier C	production of events materials and installation services	5	8,114	3.6
4	Supplier D	production of events materials and installation services	4	6,864	3.0
5	Supplier E	contracting of professional services	5	4,649	2.1
				Total:	
				55,527	24.5

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For FY2017

Rank	Name of suppliers	Type of services provided	Approximate years of business relationship	Cost of providing services (RMB'000)	Percentage of total cost (%)
1	Supplier A	production of events materials and installation services	5	28,115	8.2
2	Supplier F	design and organising of sporting events	3	16,511	4.8
3	Supplier G	production of events materials and installation services	2	16,242	4.7
4	Supplier B	production of events materials and installation services	6	14,679	4.3
5	Supplier C	production of events materials and installation services	5	11,809	3.4
Total:				87,356	25.5

For FY2018

Rank	Name of suppliers	Type of services provided	Approximate years of business relationship	Cost of providing services (RMB'000)	Percentage of total cost (%)
1	Supplier G	production of events materials and installation services	2	29,251	5.7
2	Supplier F	design and organising of sporting events	3	16,743	3.3
3	Supplier H	production of events materials and installation services	1	16,214	3.2

BUSINESS

Rank	Name of suppliers	Type of services provided	Approximate years of business relationship	Cost of providing services (RMB'000)	Percentage of total cost (%)
4	Supplier C	production of events materials and installation services	5	15,447	3.0
5	Supplier B	production of events materials and installation services	6	14,784	2.9
Total:				<u>92,439</u>	<u>18.1</u>

For 6M2019

Rank	Name of suppliers	Type of services provided	Approximate years of business relationship	Cost of providing services (RMB'000)	Percentage of total cost (%)
1	Supplier I	production of events materials and installation services	less than one year	15,320	8.3
2	Supplier G	production of events materials and installation services	2	8,619	4.6
3	Supplier H	production of events materials and installation services	1	7,187	3.9
4	Supplier J	production of events materials and installation services	1	6,059	3.3
5	Supplier K	production of events materials and installation services	3	5,601	3.0
Total:				<u>42,786</u>	<u>23.1</u>

BUSINESS

Notes:

Supplier A is a private company based in Shanghai with a business focus on production of event materials and installation services. It is grouped together with Aide Zhongxin Beijing, whom we owned 30% equity interest prior to our disposal of it in June 2017.

Supplier B is a private company based in Hong Kong with a business focus on production of events materials and installation services.

Supplier C is a private company based in Shanghai with a business focus on production of events materials and installation services.

Supplier D is a private company based in Beijing with a business focus on production of events materials and installation services.

Supplier E is a private company based in Shanghai with a business focus on labour contracting services.

Supplier F is a renowned European company which owns, designs and organises top international sporting events.

Supplier G is a private company based in Anhui with a business focus on production of events materials and installation services. The legal representative of Supplier G had its first engagement with one of our subsidiaries in 2015 through an exhibition company and word-of-mouth. We have then continued to maintain business relationship with the legal representative through Supplier G after it was established in October 2017.

Supplier H is a private company based in Beijing with a business focus on production of event materials and installation services. The legal representative of Supplier H became acquainted with some of our project managers at the time when he was working in another company. He has been engaged in our Group's projects under Supplier H's name since March 2018 when it was incorporated.

Supplier I is a private company based in Shanghai with a business focus on production of event materials and installation services. The investor and legal owner of Supplier I also own Supplier C. Due to commercial reasons, the two set up Supplier I in November 2018 and has since January 2019 continued to have business dealings with us.

Supplier J is a private company based in Kunshan with a business focus on production of events materials and installation services. The legal representative of Supplier J, through another company, had had business dealings with our founders since 2004. He has then continued to be engaged by our Group under Supplier J's name since March 2018 after Supplier J was incorporated.

Supplier K is a private company based in Shanghai with a business focus on production of events materials and installation services. The production head of Supplier J became acquainted with one of our executive Directors before the establishment of our Group. He had provided services to our Group in 2014 through the company where he was previously employed. He has only been engaged in our projects under Supplier K's name since 2015.

During the Track Record Period, Supplier F was also one of our clients apart from being one of our suppliers. As our client, Supplier F has engaged us to assist on sport events execution services, which included but not limited to services such as event execution and marketing promotion. During the Track Record Period, revenue contributed by Supplier F was nil, RMB0.4 million, RMB0.2 million and nil respectively and accounted for nil, 0.1%, 0.0% and nil of the total revenue of our Group, whereas our costs paid to Supplier F was nil, RMB16.5 million, RMB16.7 million and RMB1.2 million and accounted for nil, 4.8%, 3.3% and 0.6% of our total cost respectively.

Save for Supplier A, all of our five largest suppliers during the Track Record Period are Independent Third Parties of our Group, and none of our Directors or their respective close associates or any of our Shareholders holding more than 5% of the issued share capital of our Company had any interest in any of our five largest suppliers of our Company during the Track Record Period.

BUSINESS

QUALITY CONTROL AND AWARDS

We believe our ability to deliver quality services is crucial to the success of our Group. Up to the Latest Practicable Date, we have been certified with the following standard:

Certificates/Description	Awarding organisation	Date of grant	Date of expiration
ISO 9001:2015 *	TQCS International Pty Ltd	13 April 2018	13 April 2021

Note:

* For provision of marketing planning services for exhibitions

In addition, we attained the following awards in recognition of our services:

Certificates/Description	Awarding organisation	Date of grant
Ranked 24 in the top 100 of China Potential Enterprise 福布斯中國非上市潛力企業100強中排名第24	Forbes 福布斯	2015
Winner of the 2015 Webby Awards 2015年威比獎得獎者	Webby Awards 威比獎	2015
Gold Trophy for World Luxury Award 世界奢侈品獎金獎	World Luxury Award, Monaco 摩納哥世界奢侈品獎	2016
2016 TOP 30 public relations agency in CHINA 2016年中國TOP30公關公司榜單	CIPRA 中國國際公關協會	2016
2 Excellent, 1 Bronze and 1 annual most influential industry figure 第十七屆國際廣告獎(IAI)2個優等、1個銅牌和1個年度最具影響力行業人物	INTERNATIONAL ADVERTISING AWARDS (IAI) 國際廣告獎	2017
Honorable mention for the 8th TIGER ROAR AWARDS 第8屆虎吼獎榮譽獎	TIGER ROAR AWARDS 虎嘯獎	2017
Digital Business Innovation Excellence Award 數字商業創新優秀獎	ECI Awards 艾奇獎	2017
2017 Top 10 public relations agency by profit 2017年中國公關傳播行業財富40強排行榜、利潤最強TOP10榜單	CIPRA 中國國際公關協會	2017
The most popular cycling event 野途自行車運動年度風雲榜最受歡迎自行車運動	Wildto 野途	2017

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Certificates/Description	Awarding organisation	Date of grant
Agency of the year (Activation Digital) 數英年度獎	Digital Awards 數英	2017
China Content Marketing Award Golden Award 金瞳獎金獎	China Content Marketing Award 金瞳獎	2018
The most commercially valuable sports event operator 風掣獎-年度最具商業價值體育賽事運營機 構	Wind Sport Awards 風掣獎	2018
Welson Tu-Annual Person 年度最佳營銷領袖	Digital Marketing Annual Awards 數字營銷年度大獎	2018
Activation Digital Annual Agency 年度最佳社交營銷公司	Digital Marketing Annual Awards 數字營銷年度大獎	2018
Grand Prize (Media Category) 媒介組全場大獎 1 Gold, 1 Silver, and 2 Bronze for Integrated Marketing Category 整合營銷1個金獎、1個銀獎、2個銅獎 1 Bronze of Social Marketing 社會化營銷1個銅獎	Digital Marketing Annual Awards 數字營銷年度大獎	2018

INSURANCE

Project insurance

In line with the industry practice and subject to the terms of the project, we may be required to take out additional insurance for the project. Among others, public liability insurance and event liability insurance are common to be taken out either by our Group or by our clients for events in experiential marketing.

PRC's social insurance

We are subject to the PRC's social insurance system and are required to make contributions for our PRC employees towards five categories of insurance, including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance.

Hong Kong employees' compensation insurance

According to section 40 of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), all employers in Hong Kong are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). In light of this requirement, our Group has taken out the necessary insurance policies for our employees to cover our operation in Hong Kong.

BUSINESS

WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

We are mainly subject to PRC and Hong Kong laws and regulations in relation to labour, safety and environment protection matters. By the nature of our business, our operational activities do not generate industrial pollutants and our operations generally do not raise any material safety or health related concerns.

We did not identify and incur any cost of compliance with applicable environmental protection rules and regulations during the Track Record Period. As at the Latest Practicable Date, we had not come across any complaints from our clients or the public in respect of safety and health issues relating to the use of, or any incidents arising from, our advices and services.

EMPLOYEES

As at the Latest Practicable Date, we had 360 full-time employees who are directly employed by our Group. A breakdown of our employees by division is set forth below:

Division	Number of employees in Hong Kong	Number of employees in the PRC
Headquarters	–	23
Experiential Marketing	12	130
Digital and Brand Communication	–	117
Public Relations	3	25
IP development	–	34
Administrative and support	1	15
Total	16	344

We generally recruit employees by way of informing and placing advertisements on various online employment platforms. Our Directors consider that our Group has maintained good relationships with our employees and are expected to remain amicable in the future. We have established an employee labour union in our PRC operations in which all our PRC employees are eligible to participate. Our labour union represents the interests of our employees and works closely with our management on labour-related issues. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any incidents of disruption of work, strikes or labour disputes with our employees which have had or are likely to have a material effect on our business, financial position and results of operations.

We believe that our employees are valuable assets to our Group. All new employees receive on-job training and we have an open scheme of performance appraisal system. Performers are awarded with discretionary bonus and external training reimbursement.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group had registered the following material intellectual property rights, namely one domain name **www.activation-gp.com**; 12 material registered trademarks in the PRC; three material registered trademarks in Hong Kong; and certain software copyrights in the PRC. Further details of our Group's material intellectual property rights are set out in the section headed "Appendix IV – Statutory and General Information – Further Information about our Group – 11. Intellectual property rights of our Group".

As at the Latest Practicable Date, there were no material disputes in relation to infringement of our intellectual property rights and our Directors believe that we have taken reasonable measures to avoid any infringement of our own IP rights. As at the Latest Practicable Date, we are also not aware of any material threatened claims against our Group in relation to infringement of any IP rights of third parties.

Policies and procedures adopted by our Group in relation to intellectual property matters

The operation team and legal department of our Company are responsible for monitoring any infringement of our Group's intellectual property rights on a regular basis. In case of suspected infringement case noted, our Company will seek advice from its legal adviser from time to time, as and when needed.

Our Group has also adopted the following policies and procedures to enhance our internal control measures over our risk of infringement of third party's intellectual property rights:

- (1) all pictures and graphics used in the design/presentation for its integrated marketing solution and IP development businesses shall be obtained from certain authorised online photo database;
- (2) the legal department and operation team of our Company shall review the text, pictures and graphics used in the design/presentation for its integrated marketing solution and IP development businesses to ensure that our Group has obtained the right and/or permission to use relevant text, pictures and graphics; and
- (3) in case of any suspected infringement of third party's intellectual property rights, the legal department and operation team of our Company shall immediately seek advice from external legal adviser from time to time, as and when needed.

BUSINESS

PROPERTIES

As at the Latest Practicable Date, our Group did not own any property and we leased the following material properties in the PRC and Hong Kong for our operations:

Lessor	Address	Approximate gross floor area	Usage	Lease term	Rent per month
Shanghai					
Aibosi Weixuan ^(Note)	Rooms 801, 802, 803, 805, 808-3, 8/F, No. 399A Liu Zhou Road, Xu Hui District, Shanghai, PRC	405.7 sq.m.	Office	1 January 2019 to 31 December 2021	RMB117,828
Aibosi Weixuan ^(Note)	Rooms 806, 808-4, 8/F, No. 399A Liu Zhou Road, Xu Hui District, Shanghai, PRC	138.7 sq.m.	Office	1 January 2019 to 31 December 2021	RMB40,270
Aibosi Weixuan ^(Note)	Rooms 807, 808-2, 8/F, No. 399A Liu Zhou Road, Xu Hui District, Shanghai, PRC	118.1 sq.m.	Office	1 January 2019 to 31 December 2021	RMB34,304
Aibosi Weixuan ^(Note)	Room 808-1, 8/F, No. 399A Liu Zhou Road, Xu Hui District, Shanghai, PRC	15.4 sq.m.	Office	1 January 2019 to 31 December 2021	RMB4,474
Independent Third Party	Rooms 503, 5/F, No. 399A Liu Zhou Road, Xu Hui District, Shanghai, PRC	159.0 sq.m.	Office	1 July 2018 to 17 April 2026	From 2018 From 2021 From 2023 RMB34,821 RMB35,866 RMB37,659
Independent Third Party	Rooms 505-507, 5/F, No. 399A Liu Zhou Road, Xu Hui District, Shanghai, PRC	479.0 sq.m.	Office	18 April 2016 to 17 April 2026	From 2016 From 2018 From 2020 From 2023 RMB110,000 RMB113,300 RMB118,965 RMB128,482

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Lessor	Address	Approximate gross floor area	Usage	Lease term	Rent per month
Independent Third Party	Room 609, 6/F, No. 399A Liu Zhou Road, Xu Hui District, Shanghai, PRC	165.8 sq.m.	Office	1 January 2019 to 31 December 2023	From 2019 From 2021 RMB32,280 RMB33,248
Beijing					
Independent Third Party	Camp 798 North District No. 4, Jiuxianqiao Road, Chaoyang District, Beijing, PRC	649.1 sq.m.	Business usage	1 January 2019 to 30 April 2021	RMB102,548
Hong Kong					
Independent Third Party	Unit A, B and C, 11th Floor, Gold Union Commercial Building, No. 70-72 Connaught Road West, Hong Kong	2,450 sq.ft.	Office	1 November 2019 to 31 December 2020	HK\$56,500
Independent Third Party	Workshop A1 on 7th Floor of Block A, Kailey Industrial Centre, No. 12 Fung Yip Street, Hong Kong	1,196 sq.ft.	Industrial purpose	9 July 2019 to 8 July 2020	HK\$15,300

Note: Aibosi Weixuan is ultimately wholly owned by Mr. Ng, our executive Director and one of our Controlling Shareholders. Please refer to the section headed “Financial Information – Related Party Transactions” for further details on such related party transactions.

In addition, we leased 14 properties in the PRC mainly for our business registered addresses or ad-hoc business uses as at the Latest Practicable Date. Our Directors confirm we do not expect to experience any difficulties in renewing our leases which would have had material impact on our business, financial condition or results of operations.

NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, there had not been any non-compliance incidents which we believe would have a material adverse impact on our business, results of operations, financial condition or reputation. Set out below is non-compliance incident during the Track Record Period which did not have any material adverse effect on our Group's results of operations, financial condition and reputation:

Our subsidiary(ies) involved	Non-compliant incident	Legal consequences and maximum potential penalty	Remedial action	Measures in place to prevent recurrence of the non-compliant incidents	Potential operational and financial impacts	Director(s)/senior management involved in the non-compliant incident	Cause(s) of non-compliant incident
(1)	<p>(i) Activation Group (ii) Activation Digital (iii) Activation Sports Management</p> <p>Failure to make full contributions of social insurance for our foreign employees and employees with Hong Kong, Macau or Taiwan Residency:</p> <p>During the Track Record Period, our subsidiaries failed to make full social insurance contributions in respect of 15 foreign employees and employees with Hong Kong, Macau or Taiwan residency.</p>	<p>Pursuant to PRC national laws and regulations, we are required to make contribution of social insurance for our foreign employees and employees with Hong Kong, Macau or Taiwan residency, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance while under the local regulations of Shanghai Municipality, the relevant regulation is unclear as to whether it is compulsory for employer to make contribution for foreign employees and employees with Hong Kong, Macau or Taiwan residency.</p>	<p>Since September 2019, we have duly registered with the relevant social insurance authority and have opened our account for making contribution to social insurance for these foreign employees and employees with Hong Kong, Macau and Taiwan residency, and have made the social insurance contributions in respect of those employees since late September 2019 in accordance with the relevant requirements under Circular of the Shanghai Municipal Bureau of Human Resources and Social Security on the issues of Foreigners, Overseas Permanent (Long-term) Residency Holders, and Residents from Taiwan, Hong Kong and Macao Who Are Working in Shanghai to Participate in the Urban Social Insurance Scheme (《上海市人力資源和社會保障局關於在滬工作的外國籍人員、獲准境外永久(長期)居留人員、獲准海外永久(長期)居留人員、獲准在滬工作居民參加城鎮職工社會保險若干問題的通知》) ("Circular 38"), which is effective until 15 August 2021.</p>	<p>We have delegated Mr. Ng to oversee compliance in relation to social insurance contributions. Mr. Ng was responsible for handling the rectification of the non-compliances and he is therefore familiar with the relevant PRC laws and regulations in relation to social insurance contributions.</p> <p>We will also engage an external PRC legal adviser to provide training/advice in the PRC on the latest development of various compliance requirements (including matters in relation to social insurance contributions) under the PRC laws and regulations, from time to time, as and when needed.</p>	<p>As confirmed by our PRC Legal Advisers, we had obtained confirmation letters from Shanghai Social Insurance Management Center, confirming that during Track Record Period, each of these subsidiaries did not have any outstanding payment for the social insurance.</p> <p>Our PRC Legal Advisers had an interview with Shanghai Social Insurance Business Management Centre Huangpu Branch (上海社會保險事業管理中心黃浦分中心) on 16 September 2019, the relevant officer advised that, the authority does not accept the supplemental contributions for our historical under-payment of social insurance contribution currently, and we would not be required to pay any late penalty.</p>	<p>Our staff from the human resources department in the PRC have been delegated with the duty in handling social insurance compliance.</p> <p>None of our Directors and senior management was directly involved in this non-compliance.</p>	<p>Pursuant to PRC national laws and regulations, we are required to make contribution of social insurance for our foreign employees and employees with Hong Kong, Macau or Taiwan residency.</p> <p>However, due to the lack of knowledge of our staff from the human resources department in relation to the relevant requirements under the PRC national laws and regulations, we followed the local regulations of Shanghai Municipality and did not make contribution of social insurance for our foreign employees and employees with Hong Kong, Macau or Taiwan residency during the Track Record Period.</p>

Our subsidiary(ies) involved	Non-compliant incident	Legal consequences and maximum potential penalty	Remedial action	Measures in place to prevent recurrence of the non-compliant incidents	Potential operational and financial impacts	Director(s)/senior management involved in the non-compliant incident	Cause(s) of non-compliant incident	
				<p>As at the Latest Practicable Date, we had not received any notice or demand from relevant authorities ordering us to make up the unpaid contributions or make rectification or pay late penalties for the social insurance contributions within a prescribed period.</p> <p>Based on the above reason, our PRC Legal Advisers are of the view that the likelihood of these subsidiaries being ordered to pay the outstanding social insurance contribution or being penalized as a result of their failure to make contribution to social insurance for their foreign employees and employees with Hong Kong, Macau or Taiwan residency by competent authority of social insurance is low.</p> <p>An aggregate amount of provision of approximately RMB3.1 million had been made to our financial statement as at 30 June 2019.</p>				

Our subsidiary(ies) involved	Non-compliant incident	Legal consequences and maximum potential penalty	Remedial action	Measures in place to prevent recurrence of the non-compliant incidents	Potential operational and financial impacts	Director(s)/senior management involved in the non-compliant incident	Cause(s) of non-compliant incident
(2) Activation Business Consultancy (being the predecessor of Activation Group) and Activation Group	Activation Business Consultancy and Activation Group had failed to comply with the requisite approval/filing requirements in the PRC in respect of the following investments in Activation Events HK and Activation Marketing in accordance with the 2004 Measures and 2014 Measures (the "Measures") by way of the following capital increase and/or share transfer:	Pursuant to the Measures, the outbound investment projects conducted by a domestic enterprise in the PRC, whether by way of establishment, merger and acquisition, equity investment, capital increase or injection or other means, for ownership, operation management right or other related interests outside the PRC shall be subject to approval and/or filing with the requirements under the Measures.	As at the Latest Practicable Date, Activation Group had not yet rectified the non-compliance. Except for our Group's inadvertent failure to comply with the requisite approval/filing requirement in accordance with the Measures, as advised by our PRC Legal Advisers, our Group has obtained the requisite 企業海外投資證書 (Outbound Investment Certificate for Enterprises) in respect of the investment of Activation Events HK and Activation Marketing conducted by Activation Business Consultancy and Activation Group from the competent authority in Shanghai in accordance with the Administrative Measures for Outbound Investment (境外投資管理辦法) and the requisite business registration certificate (業務登記證) for investment in Activation Events HK from the competent authority and bank.	In order to prevent future recurrence of such non-compliance incident, we have delegated Mr. Ng to oversee compliance in relation to the future investment activities conducted by our PRC subsidiaries outside the PRC. We will also engage an external PRC legal adviser to provide training/advice in the PRC on the compliance requirement for investment activities/projects conducted by our PRC subsidiaries under the PRC laws and regulations, from time to time, as and when needed.	The revenue contributed by Activation Events HK for each of FY2016, FY2017, FY2018 and 6M2019 accounted for approximately 15.1%, 12.5%, 10.1% and 7.4% of our total revenue during the corresponding years/period. As at the Latest Practicable Date, the outstanding contract sum of the projects handled by Activation Events HK was approximately HK\$2.69 million.	None of our Directors and senior management of our Group were involved in the non-compliance incidents.	Such non-compliance incidents were inadvertent and were mainly due to the fact that our staff in Shanghai office who were responsible for conducting investment activities were not familiar with the approval/filing requirement under the Measures. As such, they had failed to comply with the relevant approval/filing requirements at the time of conducting investment in Activation Events HK and Activation Marketing.
(1) on 22 November 2013, Activation Business Consultancy acquired from Activation Group Limited 850 ordinary shares of Activation Events HK for cash consideration of HK\$850;	The NDRC may, in conjunction with relevant departments, order the relevant investors (i.e. Activation Group) to suspend the implementation of such investments (i.e. Activation Events HK and Activation Marketing) and request or transfer the case to the relevant government authority to pursue the relevant responsible person for the legal and administrative liability.	Pursuant to an interview conducted by our PRC Legal Advisers with the responsible officer of Shanghai NDRC on 16 September 2019, the relevant officer advised that Shanghai NDRC has not yet imposed any penalty against any domestic enterprises within Shanghai area with respect to non-compliance of the requisite Shanghai NDRC approval/filing requirements with respect to outbound investment and no concrete rules regarding the imposition of penalty in connection with the non-compliance of the requisite approval/filing requirements have been promulgated and implemented.	Up to the Latest Practicable Date, our Group had neither been imposed of any legal or administrative penalty, nor had been ordered for suspension of its investment in Activation Events HK and Activation Marketing, by the relevant authorities in respect of the above failure in complying with the requisite approval/filing requirements.	Pursuant to an interview conducted by our PRC Legal Advisers with the responsible officer of Shanghai NDRC on 16 September 2019, the relevant officer advised that Shanghai NDRC has not yet imposed any penalty against any domestic enterprises within Shanghai area with respect to non-compliance of the requisite Shanghai NDRC approval/filing requirements with respect to outbound investment and no concrete rules regarding the imposition of penalty in connection with the non-compliance of the requisite approval/filing requirements have been promulgated and implemented.	None of our Directors and senior management of our Group were involved in the non-compliance incidents.	Such non-compliance incidents were inadvertent and were mainly due to the fact that our staff in Shanghai office who were responsible for conducting investment activities were not familiar with the approval/filing requirement under the Measures. As such, they had failed to comply with the relevant approval/filing requirements at the time of conducting investment in Activation Events HK and Activation Marketing.	Such non-compliance incidents were inadvertent and were mainly due to the fact that our staff in Shanghai office who were responsible for conducting investment activities were not familiar with the approval/filing requirement under the Measures. As such, they had failed to comply with the relevant approval/filing requirements at the time of conducting investment in Activation Events HK and Activation Marketing.
(2) on 17 September 2015, Activation Business Consultancy acquired from Mr. Shaw and Ms. Cheng an aggregate of 150 ordinary shares of Activation Events HK for an aggregate cash consideration of HK\$150;	Pursuant to an interview conducted by our PRC Legal Advisers with the responsible officer of Shanghai NDRC on 16 September 2019, the relevant officer advised that Shanghai NDRC has not yet imposed any penalty against any domestic enterprises within Shanghai area with respect to non-compliance of the requisite Shanghai NDRC approval/filing requirements with respect to outbound investment and no concrete rules regarding the imposition of penalty in connection with the non-compliance of the requisite approval/filing requirements have been promulgated and implemented.	Pursuant to an interview conducted by our PRC Legal Advisers with the responsible officer of Shanghai NDRC on 16 September 2019, the relevant officer advised that Shanghai NDRC has not yet imposed any penalty against any domestic enterprises within Shanghai area with respect to non-compliance of the requisite Shanghai NDRC approval/filing requirements with respect to outbound investment and no concrete rules regarding the imposition of penalty in connection with the non-compliance of the requisite approval/filing requirements have been promulgated and implemented.	Pursuant to an interview conducted by our PRC Legal Advisers with the responsible officer of Shanghai NDRC on 16 September 2019, the relevant officer advised that Shanghai NDRC has not yet imposed any penalty against any domestic enterprises within Shanghai area with respect to non-compliance of the requisite Shanghai NDRC approval/filing requirements with respect to outbound investment and no concrete rules regarding the imposition of penalty in connection with the non-compliance of the requisite approval/filing requirements have been promulgated and implemented.	Pursuant to an interview conducted by our PRC Legal Advisers with the responsible officer of Shanghai NDRC on 16 September 2019, the relevant officer advised that Shanghai NDRC has not yet imposed any penalty against any domestic enterprises within Shanghai area with respect to non-compliance of the requisite Shanghai NDRC approval/filing requirements with respect to outbound investment and no concrete rules regarding the imposition of penalty in connection with the non-compliance of the requisite approval/filing requirements have been promulgated and implemented.	None of our Directors and senior management of our Group were involved in the non-compliance incidents.	Such non-compliance incidents were inadvertent and were mainly due to the fact that our staff in Shanghai office who were responsible for conducting investment activities were not familiar with the approval/filing requirement under the Measures. As such, they had failed to comply with the relevant approval/filing requirements at the time of conducting investment in Activation Events HK and Activation Marketing.	Such non-compliance incidents were inadvertent and were mainly due to the fact that our staff in Shanghai office who were responsible for conducting investment activities were not familiar with the approval/filing requirement under the Measures. As such, they had failed to comply with the relevant approval/filing requirements at the time of conducting investment in Activation Events HK and Activation Marketing.
(3) on 28 October 2015, Activation Marketing was incorporated by Activation Business Consultancy and, upon incorporation, Activation Business Consultancy was allotted and issued 1,000 shares in the share capital of Activation Marketing for cash at HK\$1,000; and	Pursuant to an interview conducted by our PRC Legal Advisers with the responsible officer of Shanghai NDRC on 16 September 2019, the relevant officer advised that Shanghai NDRC has not yet imposed any penalty against any domestic enterprises within Shanghai area with respect to non-compliance of the requisite Shanghai NDRC approval/filing requirements with respect to outbound investment and no concrete rules regarding the imposition of penalty in connection with the non-compliance of the requisite approval/filing requirements have been promulgated and implemented.	Pursuant to an interview conducted by our PRC Legal Advisers with the responsible officer of Shanghai NDRC on 16 September 2019, the relevant officer advised that Shanghai NDRC has not yet imposed any penalty against any domestic enterprises within Shanghai area with respect to non-compliance of the requisite Shanghai NDRC approval/filing requirements with respect to outbound investment and no concrete rules regarding the imposition of penalty in connection with the non-compliance of the requisite approval/filing requirements have been promulgated and implemented.	Pursuant to an interview conducted by our PRC Legal Advisers with the responsible officer of Shanghai NDRC on 16 September 2019, the relevant officer advised that Shanghai NDRC has not yet imposed any penalty against any domestic enterprises within Shanghai area with respect to non-compliance of the requisite Shanghai NDRC approval/filing requirements with respect to outbound investment and no concrete rules regarding the imposition of penalty in connection with the non-compliance of the requisite approval/filing requirements have been promulgated and implemented.	Pursuant to an interview conducted by our PRC Legal Advisers with the responsible officer of Shanghai NDRC on 16 September 2019, the relevant officer advised that Shanghai NDRC has not yet imposed any penalty against any domestic enterprises within Shanghai area with respect to non-compliance of the requisite Shanghai NDRC approval/filing requirements with respect to outbound investment and no concrete rules regarding the imposition of penalty in connection with the non-compliance of the requisite approval/filing requirements have been promulgated and implemented.	None of our Directors and senior management of our Group were involved in the non-compliance incidents.	Such non-compliance incidents were inadvertent and were mainly due to the fact that our staff in Shanghai office who were responsible for conducting investment activities were not familiar with the approval/filing requirement under the Measures. As such, they had failed to comply with the relevant approval/filing requirements at the time of conducting investment in Activation Events HK and Activation Marketing.	Such non-compliance incidents were inadvertent and were mainly due to the fact that our staff in Shanghai office who were responsible for conducting investment activities were not familiar with the approval/filing requirement under the Measures. As such, they had failed to comply with the relevant approval/filing requirements at the time of conducting investment in Activation Events HK and Activation Marketing.

Our subsidiary(ies) involved	Non-compliant incident	Legal consequences and maximum potential penalty	Remedial action	Measures in place to prevent recurrence of the non-compliant incidents	Potential operational and financial impacts	Director(s)/senior management involved in the non-compliant incident	Cause(s) of non-compliant incident
	(4) on 21 June 2017, Activation Group subscribed for 6,000,000 shares in the share capital of Activation Events HK in cash for an aggregate consideration of HK\$6,000,000;		<p>In the very unlikely event that the NDRC raises concern on the said non-compliance, we will take the following steps to streamline our Group's operation:</p> <ol style="list-style-type: none"> 1) through another offshore subsidiary (rather than subsidiary in the PRC), our Group will incorporate another new entity in Hong Kong to take up new experiential marketing projects in Hong Kong and Macau going forward; and 2) in the unlikely event that our Group is ordered by the relevant government authority to suspend its investment in, or the business of, Activation Events HK before the existing projects are completed, our Group will arrange the new entity or another member of our Group to complete the relevant projects. 		<p>According to the 2008 Shanghai Measures and 2015 Shanghai Measures, Shanghai NDRC is in charge of the requisite approval/record-filing procedure of outbound investment projects conducted by a domestic enterprise incorporated in Shanghai, as Activation Group (as well as its predecessor Activation Business Consultancy) was established in Shanghai in 2013, as advised by our PRC Legal Advisers, Shanghai NDRC shall be the competent authority to consult on regarding the non-compliance.</p>		

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Company, subject to the terms of the Deed of Indemnity, in respect of all penalties which may be imposed on our Group for the historical non-compliance on or before the Listing Date. Please refer to the section headed "Appendix IV – Statutory and General Information – Other Information – 17. Estate duty, tax and other indemnity" for further details.

Views of our Directors

Having considered (i) the nature, reason and consequences of the non-compliance; (ii) the rectification measures we have undertaken; (iii) the legal advice from our PRC Legal Advisers; (iv) the interview with the relevant competent government authority; (v) the indemnities of our Controlling Shareholders; (vi) the enhanced internal control measures adopted by us pursuant to the recommendations made by our independent internal control adviser; and (vii) the non-compliance incident did not involve any dishonesty or fraudulent act on the part of our executive Directors, and did not impugn on their integrity or competence, our Directors are of the view that the enhanced internal control measures adopted by us are adequate and effective and that these historical non-compliance incidents do not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules, and the suitability for listing of our Company under Rule 8.04 of the Listing Rules.

LEGAL PROCEEDINGS

Save for the legal proceedings initiated by Mr. So against our Group as disclosed in the section headed “History, Reorganisation and Corporate Structure – The Reorganisation – Corporate restructuring – (1) Repurchase and allotment of shares in Brightly Sky – Legal disputes with Mr. So”, as at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our business, financial condition or results of operations.

INTERNAL CONTROL MEASURES AND RISK MANAGEMENT

To improve our corporate governance, we have engaged an independent internal control consultant (“**Internal Control Consultant**”) to perform a detailed evaluation on our Group’s internal control system.

The review covers (i) entity-level controls and business process controls over financial closing and reporting, sales, purchases, treasury and general information technology controls, and (ii) a report to us on factual findings and recommendations for improvements of internal controls over the abovementioned processes and procedures. Based on the initial report of the Internal Control Consultant, we have adopted a series of internal control policies, procedures and programs for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws.

Our Directors believe that we have adopted a proper internal control system and maintain good corporate governance practices to ensure our ongoing compliance with applicable laws and regulations in PRC and Hong Kong.

We are exposed to various risks in the operations of our business and we believe that internal control measures and risk management is important to our success. The type of major risks faced by us are operational risks which include, among others, our relatively short operating history, failure to retain our major clients, failure to achieve marketing objective as planned, our ability to retain talented employees, uncertainties in relation to our expansion into IP development business, competition from other marketing agency service providers. Please refer to the section headed “Risk Factors” for disclosures on various risks we face.

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To properly manage these risks, we have devised a comprehensive risk management system to monitor the possible risks that we may encounter in our operations. Through our risk management system, we seek to minimise and prevent losses that the risks may cause to our business.

Risk management policies and measures in relation to our integrated marketing solutions

Our Board is responsible for overseeing our overall risk management system and is responsible for managing the risks of our operations and devising effective risk management structures, functions, workflows and policies to manage and/or prevent identified risks. The Board is also responsible for considering, reviewing and approving risk assessment reports prepared annually by our internal control team, which is responsible for monitoring our Group's exposure to risks, and preparing corresponding risk management measures from time to time. The risk assessment reports will adopt a systematic approach by categorising the likelihood of risks in five different levels (i.e. low, low to medium, medium, medium to high and high) and categorising the impact in three levels (i.e. significant, medium and low). It will also contain recommendations on mitigating factors and improvement methods. Our executive Directors are jointly designated with the responsibility for holding meetings regularly with our management to discuss the latest market risks, and to make recommendations to our internal control team to facilitate its preparation of the risk assessment reports.

Risk management policies and measures in relation to our IP development business

Our Board is fully aware that our IP development business can potentially open up our Group to immense investment and cooperation business opportunities for our Group but when such opportunities arise and further develop, it may also expose our Group to different risk and reward profile which can impact on our funding and operation requirement.

In order to manage and mitigate the risk exposure of such future opportunities when it may arise and further develop, we have formulated and adopted the following internal control measures as set out below:

1. Formation of IP development committee

IP development committee shall be designated with the duty to constantly review our IP development progress. In case where our Group has invested in any cooperation with third parties, the IP development committee shall assess and review our risk exposure.

The IP development committee is responsible for the following:

- Review and consider the estimated profit and loss of each individual projects;
- Cost and revenue monitoring to scrutinize any material amount that did not align with our forecast;
- Receipt of information of potential investment or cooperation opportunity;
- Review and consider the potential investment or cooperation opportunity;

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- Assess any potential conflict of interests during the investment or cooperation process; and
- Assists in initial assessment and evaluation work, as well as to make recommendations to the Board regarding major IP development business decisions.

Our IP development committee comprises of Mr. Lau, Mr. Ng and Mr. Yu. We strictly require members of the IP development committee to duly declare their interest in any potential transaction under consideration and they shall abstain from voting if there is any direct or potential conflict of interest.

2. Risk Management procedures and record keeping for IP development projects

When deciding whether or not to carry out business opportunities which have an estimated financial impact of over RMB10 million for any IP development projects, other than the normal procedures for approval, we shall require the relevant management and staff to undertake additional steps as listed below.

- (a) We should only select projects which we, based on our years of experience and in-depth knowledge about the industry, believe will succeed. The basis of such belief and the relevant risk factors shall be recorded and be presented to the Board.
- (b) The projects selection criteria varies, but generally takes into account factors such as (i) credit risk of the third party; (ii) our team and management's experience in the market on similar types of projects; (iii) any special features in the projects which make them unique and stand out from others; (iv) the investment amount required and the payback period; (v) if such investment will enhance our chance in obtaining further integrated marketing solutions projects and (vi) the maximum exposure to our Group in case the project fails.
- (c) We shall negotiate the terms at arms-length and be assured with an exit mechanism at our discretion.
- (d) If special monitoring is required, we shall form a special risk management team which composes of one executive Director, two senior management and one member from the project team to closely monitor our risk exposure. Our special risk management team shall meet bi-weekly to review areas like (i) progress of construction and completion; (ii) the market environment where the projects are located; (iii) marketing plan and positioning of the project; and (iv) the project's cashflow and liquidity positions.
- (e) If needed, we shall seek external legal advice to review and advise on the legal risk involved and we would require unanimous approval by each member of the special risk management team before recommending to our Board. Our Board has the final approval authority for entering into each of such IP development arrangement.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board consists of seven Directors, including four executive Directors and three independent non-executive Directors. Our Board is responsible for and has general powers for the management and the conduct of our business. The following table lists the current members of our Board and sets out certain information in respect of members of our Board.

Directors

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Lau Kam Yiu (劉錦耀)	44	Executive Director, joint-chairman of our Board and chief executive officer of our Group	January 2014	16 September 2019	Overall strategic development, and leading the business development of our Group	N/A
Mr. Ng Bo Sing (伍寶星)	39	Executive Director, joint-chairman of our Board and chief operating officer of our Group	November 2013	27 February 2019	Overall strategic development, and leading the business operation of our Group	N/A
Mr. Chan Wai Bun (陳偉彬)	48	Executive Director and general manager of Activation Events	January 2014	16 September 2019	Overall operation of experiential marketing business of our Group	N/A
Ms. Low Wei Mun (劉慧文)	56	Executive Director and general manager of Activation Events	January 2014	16 September 2019	Overall operation of experiential marketing business of our Group	N/A
Ms. Cheung Siu Wan (張少雲)	53	Independent non-executive Director	19 December 2019	19 December 2019	Overseeing the overall affairs of our Group at Board level, being a member of audit committee, remuneration committee and corporate governance committee	N/A

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Yu Longjun (余龍軍)	33	Independent non-executive Director	19 December 2019	19 December 2019	Overseeing the overall affairs of our Group at Board level, being a member of audit committee, remuneration committee, nomination committee and IP development committee	N/A
Dr. Cheung Wah Keung (張華強)	58	Independent non-executive Director	19 December 2019	19 December 2019	Overseeing the overall affairs of our Group at Board level, being a member of audit committee, nomination committee and corporate governance committee	N/A

Senior management

The following table lists the current members of our senior management (other than our Directors) who are primarily responsible for the operations and management of our Group:

Name	Age	Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors and senior management
Ms. Wong Nim Man (黃念雯)	44	General manager of Activation Digital and Activation PR	January 2014	January 2014	Overall operation of digital communication and public relations services business of our Group	N/A

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Tu Hung-Wei (徐弘煒)	45	General manager of Activation Digital	May 2014	May 2014	Overall operation of digital communication services business of our Group	N/A
Mr. Bao Yifeng (包一峰)	46	General manager of Activation PR	January 2014	January 2014	Overall operation of public relations services business of our Group	N/A
Ms. Zhou Qi (周琦)	44	General manager of Activation Sports Development and Activation Sports Management	January 2014	January 2014	Overall operation of sports IP development services business of our Group	N/A
Mr. Choi Wai Tong Winton (蔡偉棠)	44	General manager of Activation Digital	January 2014	January 2014	Overall operation of digital communication and Big Data analysis services business of our Group	N/A
Ms. Cheng Yuen Yee June (鄭婉宜)	45	General manager of Activation Events HK and Activation Events SGP	January 2014	January 2014	Overall operation of the experiential marketing business of the subsidiaries of our Company in Hong Kong and Singapore	Spouse of Mr. Shaw
Mr. Jeremy Mark Shaw	49	General manager of Activation Events HK and Activation Events SGP	January 2014	January 2014	Overall operation of the experiential marketing business of the subsidiaries of our Company in Hong Kong and Singapore	Spouse of Ms. Cheng
Mr. Du Xiaozhou (杜曉舟)	35	Secretary of the board of directors of Activation Group and joint company secretary of our Company	January 2014	January 2014	Investment and finance management of our Group	N/A

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Kam Yiu (劉錦耀), aged 44

Executive director, joint-chairman of our Board and chief executive officer of our Group

Mr. Lau is an executive Director, the joint-chairman of our Board and the chief executive officer of our Group who is responsible for the overall strategic development, and leading the business development of our Group. He was appointed as an executive Director on 16 September 2019. Mr. Lau is one of our Controlling Shareholders and a director of certain subsidiaries of our Group. Mr. Lau obtained a bachelor's degree of business administration from the Chinese University of Hong Kong in December 1998. He also obtained a master's degree of technology management in information technology from the Hong Kong University of Science and Technology in November 2002. He completed the Global CEO Program for China jointly from China Europe International Business School, IESE Business School and Harvard Business School in July 2015. Mr. Lau was recognised as a talent in "The 1000 Talents Plan of Shanghai" (上海千人計劃) in September 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 November 2017.

Mr. Lau has more than 21 years of experience in the marketing industry. He joined our Group in January 2014 as the managing director of Activation Group. Prior to joining our Group, he was the founding partner and director of Aibosi Weixuan, which previously principally engaged in experiential marketing, from May 2008 to December 2013. He ceased to be interested in the equity interest in Aibosi Weixuan in December 2010 when Mr. Ng (through NBS Holdings) acquired the controlling interest in Aibosi Weixuan. At the invitation of Mr. Ng, who established Activation Business Consultancy in November 2013 with the intention to form an integrated marketing resolutions provider focusing not only on the provision of experiential marketing but also other digital and brand communication and public relations services, Mr. Lau joined the management team of Activation Business Consultancy in January 2014, Aibosi Weixuan had subsequently ceased to engage in the provision of experiential marketing. As Aibosi Weixuan owns real property in Shanghai, to align with our Group's strategy to maintain an asset-light business model, Mr. Ng decided to establish Activation Business Consultancy as a new vehicle for the development of the integrated marketing resolutions business instead of expanding the then existing business of Aibosi Weixuan, and use Aibosi Weixuan as property holding and investment vehicle instead. He worked in Dell (China) Co., Ltd, which principally engages in manufacturing of computers and electronic component, from December 2001 to April 2008 and his last position was Director, Central Marketing (Asia Pacific and Japan). Mr. Lau also accumulated experiences in the marketing industry through working in Promoduck Dotcom Limited as a business manager which principally engaged in online trading from September 2000 to October 2001 and as an assistant brand manager of Coca Cola China Limited which principally engages in manufacturing of beverages from June 1998 to August 2000.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lau is currently performing the roles of joint-chairman of our Board and chief executive officer of our Group. Under code provision A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should not be performed by the same individual. Taking into account Mr. Lau's extensive experience in the marketing industry, our 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 our Group. In order to maintain good corporate governance and fully comply with code provision, our Board will regularly review the need to appoint different individuals to perform the roles of joint-chairman and chief executive officer separately.

Mr. Ng Bo Sing (伍寶星), aged 39

Executive director, joint-chairman of our Board and chief operating officer of our Group

Mr. Ng is an executive Director, the joint-chairman of our Board and the chief operating officer of our Group who is responsible for the overall strategic development, and leading the business operation of our Group. He was appointed as Director on 27 February 2019 and re-designated as executive Director on 16 September 2019. Mr. Ng is one of our Controlling Shareholders and a director of certain subsidiaries of our Group. Mr. Ng obtained a bachelor's degree of engineering from the University of New South Wales in March 2006 and a master's degree of science in finance from the University of Michigan (long distance learning course) in August 2008. He further completed a chief financial officer programme from China Europe International Business School in November 2016.

Mr. Ng has over 10 years of experience in management. He joined our Group in November 2013 as the director of Activation Group. Prior to joining our Group, Mr. Ng has been the director of Aibosi Weixuan, which previously principally engaged in experiential marketing, since November 2010. He was the investment director of Topworld Enterprise (HK) Limited, an investment company incorporated in Hong Kong which principally engaged in exploring project investment opportunities in different industry sectors in the PRC and Hong Kong, from September 2007 to October 2010; and the engineer II of SAE Magnetics (Hong Kong) Limited, which principally engages in manufacturing of magnetic recording heads for hard disk drives, from August 2006 to February 2007.

Mr. Ng was a director of Welly Enterprise Limited (“**Welly Enterprise**”) which was incorporated in Hong Kong and dissolved by deregistration on 24 June 2011. Welly Enterprise ceased to carry on business or operation for more than three months immediately before application for deregistration or never commenced business or operation. Mr. Ng confirmed that there was no wrongful act on his part leading to the dissolution and Welly Enterprise was inactive and solvent at the time when it was dissolved and, so far as he is aware, the dissolution of Welly Enterprise has not resulted in any liability or obligation being imposed against him.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Wai Bun (陳偉彬), aged 48

Executive director and general manager of Activation Events

Mr. Chan is an executive Director and general manager of Activation Events who is responsible for the overall operation of experiential marketing business of our Group. He was appointed as an executive Director on 16 September 2019. Mr. Chan obtained a bachelor's degree of social sciences from Lingnan College (currently known as Lingnan University) in November 1994. He further obtained a bachelor's degree in laws from Tsinghua University (long distance learning course) in July 2010.

He has more than 23 years of experience in the marketing industry. He joined our Group in January 2014 as the general manager of Activation Events. Prior to joining our Group, Mr. Chan was the founding partner and director of Aibosi Weixuan, which previously principally engaged in experiential marketing, from January 2008 to December 2013; 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 July 2001 to December 2007; and the associate account director of Asatsu-DK Hong Kong Limited, which principally engages in provision of advertising and marketing services, from January 1996 to July 2000.

Mr. Chan was a director of Halo Optical Electronic Instruments Limited (“**Halo Optical**”) which was incorporated in Hong Kong and dissolved by deregistration on 15 March 2013. Halo Optical ceased to carry on business or operation for more than three months immediately before application for deregistration or never commenced business or operation. Mr. Chan confirmed that there was no wrongful act on his part leading to the dissolution and Halo Optical was inactive and solvent at the time when it was dissolved and, so far as he is aware, the dissolution of Halo Optical has not resulted in any liability or obligation being imposed against him.

Ms. Low Wei Mun (劉慧文), aged 56

Executive director and general manager of Activation Events

Ms. Low is an executive Director and general manager of Activation Events who is responsible for the overall operation of experiential marketing business of our Group. She was appointed as an executive Director on 16 September 2019. Ms. Low received secondary education in Malaysia from 1976 to 1980. She has more than 18 years of experience in the marketing industry. She joined our Group in January 2014 as the general manager of Activation Events. Prior to joining our Group, she was the director of Aibosi Weixuan, which previously principally engaged in experiential marketing, from June 2011 and December 2013. Ms. Low accumulated experiences in marketing through working in marketing companies in Hong Kong and Beijing from September 1999 to June 2009. She also gained experiences in client management in a media and a retail company from June 1993 to September 1999. She was a full-time model from January 1988 to June 1993 and previously engaged in sales promotion of a beauty brand from January 1980 to December 1987.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Ms. Cheung Siu Wan (張少雲), aged 53

Independent non-executive Director

Ms. Cheung is an independent non-executive Director. She was appointed as an independent non-executive Director on 19 December 2019. Ms. Cheung obtained a bachelor's degree of arts in business studies from the City Polytechnic of Hong Kong (currently known as the City University of Hong Kong) in December 1988. She completed the postgraduate certificate in education course in the University of Hong Kong in June 1995. She further obtained a master's degree of science in accounting from The Hong Kong University of Science and Technology in November 1996 and a master's degree of arts in practical philosophy from Lingnan University in November 2017. Ms. Cheung was admitted as a fellow of the Association of Chartered Certified Accountants in March 2014 and a fellow of the Hong Kong Institute of Certified Public Accountants in September 2006. She is currently a non-practising member of Hong Kong Institute of Certified Public Accountants. She is an independent non-executive Director who has the qualifications and experience to meet the requirements under Rule 3.10(2) of the Listing Rules.

Ms. Cheung has over 23 years of experience in taxation advisory. Ms. Cheung worked in KPMG Hong Kong and KPMG China from July 1996 to August 2011 and her last position was partner. Ms. Cheung has been the founder and director of BC Advisory Company Limited, which principally engages in the provision of taxation advisory, since October 2011 and the founder and director of BC Training Company Limited, which principally engages in the provision of taxation training, since June 2012. Ms. Cheung engaged in education related work from 1989 to 1996. Ms. Cheung has been an independent non-executive director of Strong Petrochemical Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 852.hk), which principally engages in trading of oil products, since January 2012. She was the independent director of Activation Group from August 2017 to March 2019. Ms. Cheung has been the member of Customer Liaison Group for small and medium enterprises of the Trade and Industry Department of the Government of HKSAR since January 2017.

Mr. Yu Longjun (余龍軍), aged 33

Independent non-executive Director

Mr. Yu is our independent non-executive Director. He was appointed as independent non-executive Director on 19 December 2019. Mr. Yu is an independent non-executive Director who has the qualification and experience to meet the requirements under Rule 3.10(2) of the Listing Rules. Mr. Yu obtained a bachelor's degree of applied chemistry from Fudan University in July 2007. He further obtained master's degree of business administration from Cheung Kong Graduate School of Business in September 2015. He was admitted as a non-practising member of Shanghai Institute of Certified Public Accountants in September 2011 and a Chartered Financial Analyst of CFA Institute in September 2018.

DIRECTORS AND SENIOR MANAGEMENT

He has more than seven years of experience in accounting and investment management. Mr. Yu has been the senior manager of risk compliance of Shanghai Sci-Tech Innovation Center Capital Co., Ltd* (上海科創中心股權投資基金管理有限公司), which principally engages in fund management, since January 2019.

He was the vice-president of investment of Shanghai Jianyuan Shareholding Investment Fund Management Partnership (limited partnership)* (上海建元股權投資基金管理合夥企業(有限合夥)), which principally engages in asset management, from November 2017 to December 2018; the investment director of Shanghai Houyang Investment Management Company Limited* (上海厚揚投資管理有限公司), which principally engages in investment management, from June 2015 to June 2016; the investment officer of Kunwu Jiuding Investment Management Company Limited Shanghai Branch* (昆吾九鼎投資管理有限公司上海分公司), which principally engages in investment management, from October 2014 to June 2015; and the business development officer of Yunze Jiuding (Shanghai) Investment Company Limited* (運澤九鼎(上海)投資管理有限公司) from September 2011 to September 2012. Mr. Yu worked in Deloitte Touche Tohmatsu CPA Ltd. from July 2007 to September 2011 and his last position was senior auditor. 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 August 2018. He was also the independent director of Activation Group from August 2017 to March 2019.

Mr. Yu was a partner of Ningbo Meishan Bonded Port Area Shangyun Hechuang Equity Investment (Limited Partnership)* (寧波梅山保稅港區尚韻合創股權投資合夥企業(有限合夥)), which was established in the PRC and was deregistered on 5 March 2019 as it did not have any operation. He was also a partner of Ningbo Meishan Bonded Port Area Language Public Investment Management Partnership Enterprise (Limited Partnership)* (寧波梅山保稅港區語眾投資管理合夥企業(有限合夥)), which was established in the PRC and was deregistered on 4 March 2019 due to the partners' decision to cease business operations. Mr. Yu was also a partner of Ningbo Meishan Bonded Port Area Fengshuo Hezhong Equity Investment Partnership (Limited Partnership)* (寧波梅山保稅港區楓碩合眾股權投資合夥企業(有限合夥)), which was established in the PRC and was deregistered on 20 March 2019 as it did not have any operation. Mr. Yu confirmed that there was no wrongful act on his part leading to the deregistration of the above partnerships and the above partnerships were inactive and solvent at the time when they were deregistered and, so far as he is aware, the deregistration of the above partnerships has not resulted in any liability or obligation being imposed against him.

Dr. Cheung Wah Keung (張華強), aged 58
Independent non-executive Director

Dr. Cheung is our independent non-executive Director. He was appointed as independent non-executive Director on 19 December 2019. Dr. Cheung obtained a bachelor's degree of business administration and a master's degree of social science in global political economy from the Chinese University of Hong Kong in December 1994 and November 2015 respectively. He also obtained a master's degree of corporate governance and a doctor's degree

DIRECTORS AND SENIOR MANAGEMENT

of business administration from the Hong Kong Polytechnic University in October 2009 and October 2013 respectively. Dr. Cheung has been the chairman of Shinhint Industries Limited, which principally engages in manufacturing of audio products, since August 1992 and the director of Tai Sing Industrial Company Limited, which principally engages in trading and manufacturing of electro-acoustic products since September 2007.

He has or had the following position in various listed companies which includes:

Name of company	Principal business activity	Position	Period of service
Sky Light Holdings Limited (stock code: 3882.hk)	Development, manufacture and sale of action cameras and related accessories	Independent non-executive director	Since 12 June 2015 until now
Casablanca Group Limited (Stock code: 2223.hk)	Manufacture and trading of home textile products and accessories	Independent non-executive director	Since 26 May 2017 until now
PanAsialum Holdings Company Limited (stock code: 2078.hk)	Manufacture and sales of aluminum products	Independent non-executive director	Since 22 March 2018 until now
		Independent non-executive chairman	Since 2 August 2019 until now
		Authorised representative	Since 2 August 2019 until now
China Cloud Copper Company Limited (formerly known as Harmonic Strait Financial Holdings Limited and Rainbow Brothers Holdings Limited) (stock code: 33.hk)	Financial and trading businesses	Independent non-executive director	From 6 June 2007 to 16 September 2016
		Chairman	From September 2013 to 16 September 2016

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 January 2016 to December 2018 and the chairman of the Advisory Board for Master of Corporate Governance of the Hong Kong Polytechnic University from July 2016 to June 2020. Furthermore, he has been a council member of Hang Seng Management College (currently known as Hang Seng University of Hong Kong) since March 2017. Dr. Cheung was awarded “Young Industrialist Awards of Hong Kong” by Federation of Hong Kong Industries in 2005.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Cheung was a director of the following companies which were incorporated in Hong Kong and dissolved by (i) deregistration or (ii) striking off by the Registrar of Companies of Hong Kong. The relevant details of such dissolution of companies are as follows:

Name of Company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution
A-Kei Cable Limited (合企電線有限公司)	ceased to carry on business or operation for more than three months immediately before application for deregistration or never commenced business or operation	30 March 2012	Deregistration
Shinhint Technology Company Limited (成謙科技有限公司)	ceased to carry on business or operation for more than three months immediately before application for deregistration or never commenced business or operation	4 January 2013	Deregistration
Techson Industrial Limited (德旋實業有限公司)	trading of audio products	25 April 2003	Striking off

Dr. Cheung confirmed that there was no wrongful act on his part leading to the dissolution and each of these companies was inactive and solvent at the time when they were dissolved and, so far as he is aware, the dissolution of these companies has not resulted in any liability or obligation being imposed against him.

General

Save as disclosed above and in the section headed “Relationship with our Controlling Shareholders” in this prospectus, each of our Directors:

- (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date;
- (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date;
- (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable inquiries, as at the Latest Practicable Date, there was no other information in relation to our Directors that was required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules or any other material matter relating to our Directors that need to be brought to the attention of our Shareholders or investors.

DIRECTORS AND SENIOR MANAGEMENT

As at the Latest Practicable Date, save as the interests of each of the executive Directors in the Shares which are disclosed in the section headed “Appendix IV – Statutory and General Information – Further details about our Directors and Shareholders – 13. Directors – (d) Interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debenture of our Company and our associated corporations following the Global Offering”, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

Ms. Wong Nim Man (黃念雯), aged 44

General manager of Activation Digital and Activation PR

Ms. Wong is the general manager of Activation Digital and Activation PR who is responsible for the overall operation of digital communication and public relations services business of our Group. Ms. Wong obtained a bachelor’s degree of arts from the University of Hong Kong in December 1998. She further obtained a master’s degree of business administration jointly from Northwestern University and The Hong Kong University of Science and Technology in December 2016.

She has more than 20 years of experience in sales and marketing industry. She joined our Group in January 2014 as the executive director of Activation Events HK. Prior to joining our Group, she was the executive director of Activation International from August 2012 to December 2014; the head of marketing – Asia Pacific of Lancel of Richemont Asia Pacific Limited, which principally engages in distribution of luxury brands, from September 2011 to June 2012; the senior marketing manager of VF Asia Limited, which principally engages in distribution, retailing and marketing of lifestyle apparel, footwear and accessories, from September 2009 to June 2011; the senior marketing communications manager of Fairton Management Company Limited, which principally engages in fashion and lifestyle brand management from June 2006 to July 2009; the marketing manager of Fantastic Natural Cosmetics Limited (FANCL), which principally engages in manufacturing of skincare and cosmetics products, from April 2004 to June 2006; the senior associate of Ogilvy & Mather Marketing Communications Limited, which principally engages in provision of marketing and advertising services, from January 2001 to April 2004; the corporate communications manager of Marketo.com Limited, which principally engaged in digital marketing, from October 2000 to January 2001; and the corporate communications manager of Business Pace Asia Limited, the affiliate company of Marketo.com Limited, which principally engaged in digital marketing from March 2000 to October 2000. Ms. Wong also worked in Jovian Financial Communications Limited from July 1998 to March 2000 and her last position was senior account executive.

Mr. Tu Hung-Wei (涂弘煒), aged 45

General manager of Activation Digital

Mr. Tu is the general manager of Activation Digital who is responsible for the overall operation of digital communication services business of our Group. Mr. Tu obtained a bachelor’s degree in commercial design from Ming Chuan University in June 2000. Mr. Tu has more than 17 years of experience in the advertising industry. He joined our Group in May 2014

DIRECTORS AND SENIOR MANAGEMENT

as the general manager of Activation Digital. Prior to joining our Group, he was the general manager of Activation Digital from July 2012 to May 2014 before Activation Digital was acquired by our Group in May 2014. Mr. Tu accumulated experiences in management and marketing through working in various marketing companies from July 2002 to May 2012.

Mr. Bao Yifeng (包一峰), aged 46

General Manager of Activation PR

Mr. Bao is the general manager of Activation PR and is responsible for the overall operation of public relations services business of our Group. Mr. Bao received his hospitality-related education through studying a two-year course in Shanghai from September 1991. He has more than 16 years of experience in the marketing industry. Mr. Bao joined our Group in January 2014 as the general manager of Activation PR. Prior to joining our Group, Mr. Bao was the managing partner of Activation PR from July 2002 to December 2013 before Activation PR was acquired by our Group in December 2013. Mr. Bao accumulated experiences in management through working in a property management company from July 1996 to July 2002.

Mr. Bao held certain positions in the following companies which were established in the PRC and were deregistered. The relevant details of such deregistration of companies are as follows:

Name of Company	Principal business activity prior to deregistration	Position of Mr. Bao	Date of deregistration	Reason of deregistration
Shanghai Linjie Culture Development Co., Ltd.* (上海霖杰文化發展有限公司)	Public relations services	Supervisor	9 November 2017	shareholders' decision to cease business operations
Shanghai Contrast Window Art Co., Ltd. First Branch* (上海對比窗藝術品有限公司第一分公司)	Gallery	General manager	27 September 2011	ceased to have operation
Shanghai Contrast Window Art Co., Ltd. Huangpu Branch* (上海對比窗藝術品有限公司黃浦分公司)	Gallery	General manager	27 September 2011	ceased to have operation
Shanghai Contrast Window Art Co., Ltd. Xuhui Branch* (上海對比窗藝術品有限公司徐匯分公司)	Gallery	General manager	29 August 2011	ceased to have operation

DIRECTORS AND SENIOR MANAGEMENT

Mr. Bao held certain positions of the following companies which were established in the PRC and had their business licences revoked. The relevant details of such revocation of business licences are as follows:

Name of Company	Principal business activity prior to revocation of business licence	Position of Mr. Bao	Date of revocation of business licence	Reason of revocation of business licence
Hangzhou Contrast Window Art Co., Ltd.* (杭州對比窗藝術品有限公司)	Gallery	Director and general manager	29 October 2009	ceased to have operation
Beijing Contrast Window Gallery Culture Communication Co., Ltd.* (北京對比窗藝廊文化傳播有限公司)	Gallery	Supervisor	9 December 2009	ceased to have operation

Mr. Bao confirmed that there was no wrongful act on his part leading to the deregistration and revocation of business licences of the above companies and the above companies were inactive and solvent at the time when they were deregistered or had their business licences being revoked. So far as he is aware, the deregistration or revocation of business licences of the above companies has not resulted in any liability or obligation being imposed against him.

Ms. Zhou Qi (周琦), aged 44

General manager of Activation Sports Development and Activation Sports Management

Ms. Zhou 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 our Group. Ms. Zhou obtained a bachelor's degree in investment and economics from Shanghai University of Engineering Science in July 1997. She further obtained a master's degree of business administration from Maastricht School of Management (long distance learning course) in August 2004. She has more than 19 years of experience in business development. She joined our Group in January 2014 as the business development director of Activation Group and she became the general manager of Activation Sports Development and Activation Sports Management in June 2017. Prior to joining our Group, she worked in Aibosi Weixuan, which previously principally engaged in experiential marketing from September 2009 to December 2013 and her last position was business development director. She was the category manager of fashion accessories (Disney consumer products) of The Walt Disney Company (Shanghai) Limited from June 2008 to July 2009 and the business development manager of FedEx Express China from September 1999 to June 2008.

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Mr. Choi Wai Tong Winton (蔡偉棠), aged 44

General manager of Activation Digital

Mr. Choi is the general manager of Activation Digital and is responsible for the overall operation of digital communication and Big Data analysis services business of our Group. Mr. Choi obtained a bachelor's degree of engineering in mechanical engineering from the Hong Kong University of Science and Technology in November 1997. He further obtained a master's degree of technology management in information technology from the Hong Kong University of Science and Technology in November 2002. He has more than 21 years of experiences in project management. He joined our Group in January 2014 as the general manager of Activation Digital. Prior to joining of our Group, Mr. Choi was the technical director of Aibosi Weixuan, which previously principally engaged in experiential marketing, from January 2011 to December 2013; the chief technical officer of Shanghai Cayie Cultural Communication Co., Ltd* (上海凱羿文化有限公司), which principally engages in advertising, from October 2008 to November 2010; and the project manager of Cycom Technology Limited, which principally engaged in website development, from September 1999 to September 2008. Mr. Choi accumulated experiences in project management through working in a company which engaged in voice recording system in court from September 1997 to August 1999.

Mr. Choi was the independent non-executive director of Roma Group Limited, a company listed on the GEM of the Stock Exchange (stock code: 8072.hk), which principally engages in provision of valuation and advisory services, from June 2017 to September 2018.

Ms. Cheng Yuen Yee June (鄭婉宜), aged 45

General manager of Activation Events HK and Activation Events SGP

Ms. Cheng 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 subsidiaries of our Company in Hong Kong and Singapore. Ms. Cheng has been a director of Stufish Asia since the date of its incorporation and is responsible for overseeing the overall operation of Stufish Asia. In consideration of the effort contributed by Ms. Cheng in Stufish Asia, on 9 November 2018, Activation Events HK had transferred its 3.675% of shares in Stufish Asia to Ms. Cheng by way of gift. Ms. Cheng studied accounting and finance analysis at the University of Newcastle upon Tyne from October 1993 to June 1995. She has more than 19 years of experience in event production industry. She joined our Group in January 2014 as the general manager of Activation Events HK. Prior to joining of our Group, Ms. Cheng was the production director of Serious Events Limited (currently known as WRG Creative Communication (Asia) Limited), which principally engages in event production, from September 2012 to September 2013 and the production director of Serious Staging Limited, which principally engages in event production, from April 2000 to August 2012. Ms. Cheng also accumulated her experiences in marketing through working in a property developer from September 1998 to April 2000. Ms. Cheng is the spouse of Mr. Shaw, one of the members of senior management of our Group.

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Mr. Jeremy Mark Shaw, aged 49

General manager of Activation Events HK and Activation Events SGP

Mr. Shaw 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 subsidiaries of our Company in Hong Kong and Singapore. Mr. Shaw has been a director of Stufish Asia since the date of its incorporation and is responsible for overseeing the overall operation of Stufish Asia. In consideration of the effort contributed by Mr. Shaw in Stufish Asia, on 9 November 2018, Activation Events HK had transferred its 3.675% of shares in Stufish Asia to Mr. Shaw by way of gift. Mr. Shaw completed secondary education in the United Kingdom in 1987. He has more than 20 years of experience in technical production management. Prior to joining of our Group, he was the technical director of Serious Staging Limited, which principally engages in event production, from September 2008 to August 2012. Since September 2012, he worked as the senior technical director of Serious Events Limited (currently known as WRG Creative Communication (Asia) Limited), which principally engages in event production. In January 2014, he joined our Group as the general manager of Activation Events HK until now. Mr. Shaw accumulated event technical production experiences through working in two companies which principally engaged in event design and production and working as a freelance technical consultant for events production from April 1993 to June 2004. Mr. Shaw is the spouse of Ms. Cheng, one of the members of senior management of our Group.

Mr. Du Xiaozhou (杜曉舟), aged 35

Secretary of the board of directors of Activation Group and joint company secretary of our Company

Mr. Du is the secretary of the board of directors of Activation Group and joint company secretary of our Company and is responsible for the investment and finance management of our Group. Mr. Du obtained a bachelor's degree in business administration from Tongji University in July 2008 and a master's degree in finance from Ecole Supérieure de Commerce de Reims (currently known as NEOMA Business School) in July 2010. He has more than 8 years of experience in investment management. He joined our Group in January 2014 as the secretary of the board of directors of Activation Group. Prior to joining our Group, Mr. Du was the secretary of the board of directors of Aibosi Weixuan which previously principally engaged in experiential marketing, from November 2013 to December 2013; and the investment manager of Kunwu Jiuding Investment Management Co., Ltd.* (昆吾九鼎投資管理有限公司), which principally engaged in investment management, from July 2011 to November 2013. Mr. Du accumulated his experiences in securities trading through working in a bank from September 2009 to March 2011.

Mr. Du was a supervisor of Aide Zhongxin Beijing, which was established in the PRC and deregistered on 26 September 2018. Prior to its deregistration, it principally engaged in organising events for luxury brands. As advised by Mr. Du, such deregistration was due to the shareholders' decision to cease business operations. Mr. Du confirmed that there was no wrongful act on his part leading to the deregistration of the above company and the above company was inactive and solvent at the time when it was deregistered. So far as he is aware, the deregistration of the above company has not resulted in any liability or obligation being imposed against him.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Mr. Du Xiaozhou (杜曉舟), aged 35

Joint company secretary of our Group

Mr. Du is one of our joint company secretaries. He was appointed as our company secretary on 16 September 2019. Please refer to his biographical details in the paragraph headed “Overview – Senior management” in this section.

Ms. So Shuk Yi Betty (蘇淑儀)

Joint company secretary of our Group

Ms. So is one of our joint company secretaries. She was appointed as our company secretary on 16 September 2019. Ms. So is not an employee of our Company, but an external service provider engaged by us as our company secretary and Mr. Du will be the key contact person with whom Ms. So can contact.

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amounts of remuneration of our Directors for the FY2016, FY2017, FY2018 and 6M2019 were approximately RMB5.0 million, RMB5.3 million, RMB5.8 million and RMB2.4 million respectively. Details of the arrangement for remuneration are set out in Note 8 to the Accountants’ Report in Appendix I to this prospectus. Under such arrangement and pursuant to our Directors’ service agreements and letters of appointment referred to in the section headed “Appendix IV – Statutory and General Information – Further Information about our Directors and Shareholders – 13. Directors”, the aggregate amount of directors’ fee and other emoluments payable to our Directors for the year ending 31 December 2019 is estimated to be approximately RMB5.0 million, excluding any discretionary bonuses.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services forums or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation packages of our Directors and senior management.

After Listing, the remuneration committee of our Company will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, their respective time commitment and responsibilities and the performance of our Group.

DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors as an inducement to join or upon joining us. No compensation was paid to, or is receivable by, our Directors or past Directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. Pursuant to our board diversity policy, the selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural, educational background, professional experience, skills, knowledge and length of service, in order to maintain an appropriate range and balance of skills, experience and diversity of perspectives on the Board. Our Board comprises of seven members, including four executive Directors and three independent non-executive Directors. In recognising the importance of gender diversity, two of our Directors are female. Our Directors have a balanced mix of experiences, including marketing, management and business development, finance, auditing and accounting experiences. The education background of our Directors ranges from accountancy and business administration to engineering, from the education institutions in Hong Kong and United States to Australia and the PRC.

Our nomination committee is responsible for ensuring the diversity of our Board. After the Listing, our nomination committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of board diversity policy in our corporate governance report on an annual basis.

BOARD COMMITTEES

The audit committee, remuneration committee, nomination committee, corporate governance committee and IP development committee of our Company were approved to be established by resolutions passed by our Board on 19 December 2019. Each of the committees has written terms of reference. The functions and membership of the five committees are as follows:

Audit committee

Our Company has established an audit committee with written terms of reference in compliance with Code C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of our audit committee are mainly to make recommendations to our Board on the appointment and removal of the external auditor, to review the financial statements and material advice in respect of financial reporting, to oversee the internal control and risk management systems of our Company. At present, our audit committee comprises Ms. Cheung, Mr. Yu and Dr. Cheung. Ms. Cheung is the chairlady of our audit committee.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration committee

Our Company has established a remuneration committee with written terms of reference in compliance with Code B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary functions of our remuneration committee are to make recommendation to our Board on the overall remuneration packages of individual executive Directors and senior management of our Group and to review performance based remuneration. At present, our remuneration committee comprises Mr. Lau, Ms. Cheung and Mr. Yu. Ms. Cheung is the chairlady of our remuneration committee.

Nomination committee

Our Company has established a nomination committee with written terms of reference in compliance with Code A.5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary functions of our nomination committee are to review the structure, size and composition (including the skills, knowledge and experiences) of the Board and to make recommendations to the Board on any proposed changes to the Board composition; to assess the independence of independent non-executive Director; to identify individual suitably qualified as potential Board members and to select or make recommendation to the Board regarding candidates to fill vacancies on our Board; and to make recommendations to the Board on the appointment and re-appointment of Directors and succession planning of the Directors. At present, our nomination committee comprises Mr. Lau, Mr. Yu and Dr. Cheung. Mr. Lau is the chairman of the nomination committee.

Corporate governance committee

Our Company has established a corporate governance committee with written terms of reference. The primary functions of our corporate governance committee are to introduce and propose relevant principles concerning corporate governance and to review and determine the corporate governance policy of our Group. At present, our corporate governance committee comprises Mr. Ng, Ms. Cheung and Dr. Cheung. Mr. Ng is the chairman of the corporate governance committee.

IP development committee

Our Company has established an IP development committee with written terms of reference. Our IP development committee is designated with the duty to constantly review our IP development progress. The primary functions of our IP development committee are to receive information of potential investment or cooperation opportunity, to review and consider the potential investment or cooperation opportunity, to assess any potential conflict of interests during the investment or cooperation process and to assist in initial assessment and evaluation work, as well as to make recommendations to the Board regarding major IP development business decisions. At present, our IP development committee comprises Mr. Lau, Mr. Ng and Mr. Yu. Mr. Lau is the chairman of the IP development committee.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have appointed the Sole Sponsor as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us, among others, at the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (3) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares, the possible development of a false market in our Shares, or any other matters.

The term of appointment of our compliance adviser shall commence on the Listing Date and end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 19 December 2019 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for new Shares. The principal terms of the Share Option Scheme are summarized in the paragraph headed “Appendix IV – Statutory and General Information – Other Information – 16. Share Option Scheme”.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following the completion of the Global Offering and Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, we will be owned as to 14.71% by Activation Investment and 19.30% by Aurora Activation. Activation Investment is an investment holding company, which is ultimately wholly owned by Mr. Ng through NBS Holdings. Aurora Activation is an investment holding company, which is ultimately wholly owned by Mr. Lau through Dashing Fortune. On 14 January 2016, Mr. Ng and Mr. Lau, together with their respective investment vehicles, namely Activation Investment and Aurora Activation, entered into a concert party agreement, agreeing that in respect of any major decision that requires approval of the shareholders or the board of directors of Activation International and/or Activation Group, each of Mr. Lau and Mr. Ng would reach an unanimous consensus among themselves and vote unanimously at any shareholders or directors' meeting of Activation International and/or Activation Group. For the purpose of the Listing Rules, NBS Holdings, Dashing Fortune, Activation Investment, Aurora Activation, Mr. Lau and Mr. Ng are the Controlling Shareholders.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing. Our Directors consider that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective associates (other than us) based on the following reasons:

Operational Independence

We had leased certain properties in Shanghai as our offices from Aibosi Weixuan, a company controlled by Mr. Ng. After considering the fair rent opinion prepared by an Independent Third Party valuer, our Directors are of the view that the annual rent under the relevant tenancy agreements entered between our Group and Aibosi Weixuan were consistent with the prevailing market rents for similar properties in similar location. Please refer to the section headed "Business – Properties" for further details of the properties. Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we had independent access to our clients and suppliers.

We have our own internal control systems and accounting systems for our business operations. Our Group has different business units and different divisions including experiential marketing, digital and brand communication, public relations and IP development to carry out our business and operations, which will operate separately and independently from our Controlling Shareholders.

Therefore, our operations are independent from and not connected with any of our Controlling Shareholders. On this basis, our Directors believe that we do not unduly rely on our Controlling Shareholders to carry on our business.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, we had our own finance department and independent accounting systems. Our Group is capable of making financial decisions according to our own business needs. Our Directors also believe that we are able to obtain financing independent from our Controlling Shareholders and their respective close associates after Listing.

To meet our working capital requirements, we had bank borrowings of approximately RMB3.0 million, nil, RMB19.0 million, RMB9.0 million and RMB12.4 million as at 31 December 2016, 2017, 2018, 30 June 2019 and 31 October 2019, respectively. Certain banking facilities were secured by personal guarantee given by Mr. Ng and Mr. Lau. Please refer to the section headed “Financial Information – Indebtedness” for details. The relevant banks have agreed to the arrangement of releasing all the personal guarantee provided by Mr. Ng and Mr. Lau upon the Listing.

For the purpose of financing our Reorganisation, on 2 September 2019, we entered into a loan agreement with an Independent Third Party (as supplemented by the supplemental agreement dated 23 October 2019 entered into among the same parties) for a term loan facility of up to HK\$60 million which has been initially secured by, among others, (i) share mortgage provided by each of Activation Investment and Aurora Activation on their Shares held in our Company; (ii) share mortgage provided by Activation Enterprise on the entire issued shares of Activation International; and (iii) personal guarantee provided by each of Mr. Ng and Mr. Lau. The personal guarantee provided by each of Mr. Ng and Mr. Lau shall be automatically discharged and released one day before the Shares are listed on the Stock Exchange. As at the Latest Practicable Date, the share mortgage provided by each of Activation Investment and Aurora Activation had been discharged. Pursuant to the loan agreement, our Company has undertaken to the lender that each of Activation Investment and Aurora Activation shall at all times hold not less than 14% and 18% of all the issued share capital of our Company (save and except as a result of the implementation of the Stock Borrowing Agreement). A breach of such undertaking will constitute an event of default under the loan agreement and all amounts due or owing by our Company will become immediately due and payable to the lender.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we had not provided any loans to, nor given any guarantee, security or pledge for, our Controlling Shareholders, our Directors or their respective associates, and none of our Directors or any of their respective associates had provided any personal guarantee, security or pledge for any of our banking facilities and other borrowings.

In light of the foregoing, our Directors are of the view that our Group does not rely on our Controlling Shareholders and/or their associates for any financial assistance.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Management Independence

Our Board comprises four executive Directors and three independent non-executive Directors. Mr. Lau and Mr. Ng, both are the Controlling Shareholders and our executive Directors.

Each of our Directors is aware of his/her fiduciary duties as a Director of our Company which require, among other things, that he/she acts for the benefit and in the best interests of our Company and do not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transactions to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent management team to carry out the business decisions of our Group independently. Our Directors are satisfied that our management team is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Global Offering.

RULE 8.10 OF THE LISTING RULES

None of our Controlling Shareholders and our Directors have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders has confirmed that none of them engages in, or is interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, our Controlling Shareholders had given non-compete undertakings in our favour under the Deed of Non-competition on 19 December 2019, pursuant to which each of our Controlling Shareholders has, among other matters, irrevocably and unconditionally undertaken with us on a joint and several basis that at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall, and shall procure that their respective associates (other than our Group) shall:

- (i) save for the Excluded Business (as defined below), not, directly or indirectly, carry on, invest in or be engaged in any business which will or may compete with the business currently and from time to time engaged by our Group ("**Restricted Business**"), including but not limited to the participation in, operation or provision of experiential marketing, digital and brand communication, and public relation services from time to time ("**Restricted Service**");
- (ii) not solicit any existing or then existing employee of our Group for employment by them or their respective associates (excluding our Group);

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to their knowledge in their capacity as our Controlling Shareholders and/or Directors or associates (depending the situation) for the purpose of competing with the Restricted Business; and
- (iv) in respect of any business opportunities undertaken or proposed to be undertaken by them or their associates involving participation in, carrying on or otherwise involvement in the Restricted Service, unconditionally use reasonable endeavors to procure that such customer(s) to appoint or contract directly with any member of our Group for marketing, participation in, carrying on or otherwise involvement in the Restricted Service in respect of such business opportunities.

For the above purpose:

- (A) the “Relevant Period” means the period commencing from the Listing Date and shall, in respect of each Controlling Shareholder, expire upon the earliest date of occurrence of the events below:
 - (a) the date on which such Controlling Shareholder ceases to be a controlling shareholder of our Company (as defined under the Listing Rules); or
 - (b) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange;
- (B) the “Excluded Business” means:
 - (a) any direct or indirect investments of the Controlling Shareholders and/or their respective associates (excluding our Group) in any member of our Group;
 - (b) any direct or indirect investment of the Controlling Shareholders and/or their respective associates (excluding our Group) in the participation in, carrying on or otherwise involvement in the Restricted Service outside the PRC, Hong Kong, Macau, France and Singapore whereby:
 - (i) the aggregate investment by such Controlling Shareholder and/or his/its associates in the business shall not exceed 30% of the entire equity interests in that business; and
 - (ii) none of such Controlling Shareholder and/or his/its associates will be involved in the operation and management of that business; and
 - (c) any direct or indirect investment in our Controlling Shareholders and/or their respective associates (excluding our Group) in shares of a publicly listed company (other than any member of our Group) whereby:
 - (i) the aggregate interests held by such Controlling Shareholder and/or his/its associates shall not exceed 5% of the entire issued shares of that company;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) none of such Controlling Shareholder and/or his/its associates (individually or taken as a whole) will be the single largest shareholder or equity holder of that company; and
- (iii) none of such Controlling Shareholder and/or his/its associates will be involved in the operation and management of that company and/or its subsidiaries.

Each of our Controlling Shareholders has undertaken under the Deed of Non-competition that he or it shall, and procure his/its respective associates (other than our Group) to, provide to us and/or our Directors (including the independent non-executive Directors) from time to time all information necessary for annual review by the independent non-executive Directors with regard to compliance with the terms of the Deed of Non-competition by our Controlling Shareholders. Each of our Controlling Shareholders has also undertaken to make an annual declaration as to compliance with the terms of the Deed of Non-competition in our annual report.

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders in relation to the compliance and enforcement of the Deed of Non-competition, we have adopted the following corporate governance measures:

- (i) our independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Deed of Non-competition by our Controlling Shareholders;
- (ii) we will disclose any decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition either through our annual report or by way of announcement;
- (iii) we will disclose in the corporate governance report of our annual report on how the terms of the Deed of Non-competition have been complied with and enforced; and
- (iv) in the event that any of our Directors and/or their respective associates has material interest in any matter to be deliberated by the Board in relation to the compliance and enforcement of the Deed of Non-competition, he shall disclose his interests to our Board and may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and Capitalisation Issue (but without taking account of any Shares which may be taken up under the Global Offering and without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Our Company

Name of shareholder	Nature of interest	Number of Shares held/interested as at the Latest Practicable Date	Percentage of interest in our Company as at the Latest Practicable Date	Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Global Offering <i>(Note 1)</i>	Percentage of interest in our Company immediately after the Capitalisation Issue and the Global Offering
Activation Investment	Beneficial owner	19,611,526	19.61%	117,669,156 (L)	14.71%
NBS Holdings	Interest of a controlled corporation <i>(Note 2)</i>	19,611,526	19.61%	117,669,156 (L)	14.71%
Mr. Ng	Interest of a controlled corporation <i>(Note 2)</i>	19,611,526	19.61%	117,669,156 (L)	14.71%
Ms. Chung Wing Ting	Interest of spouse <i>(Note 3)</i>	19,611,526	19.61%	117,669,156 (L)	14.71%
Aurora Activation	Beneficial owner	25,735,587	25.74%	154,413,522 (L)	19.30%

SUBSTANTIAL SHAREHOLDERS

Name of shareholder	Nature of interest	Number of Shares held/interested as at the Latest Practicable Date	Percentage of interest in our Company as at the Latest Practicable Date	Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Global Offering <i>(Note 1)</i>	Percentage of interest in our Company immediately after the Capitalisation Issue and the Global Offering
Dashing Fortune	Interest of a controlled corporation <i>(Note 4)</i>	25,735,587	25.74%	154,413,522 (L)	19.30%
Mr. Lau	Interest of a controlled corporation <i>(Note 4)</i>	25,735,587	25.74%	154,413,522 (L)	19.30%
Ms. Li Meixuan	Interest of spouse <i>(Note 5)</i>	25,735,587	25.74%	154,413,522 (L)	19.30%
Brightly Sky	Beneficial owner	28,238,499	28.24%	169,430,994 (L)	21.18%
ACT Partners	Interest of a controlled corporation <i>(Note 6)</i>	28,238,499	28.24%	169,430,994 (L)	21.18%
ACT Holdings	Interest of a controlled corporation <i>(Note 6)</i>	28,238,499	28.24%	169,430,994 (L)	21.18%
Acheson Limited	Trustee <i>(Note 6)</i>	28,238,499	28.24%	169,430,994 (L)	21.18%
Aide Zhongxin	Beneficial owner	10,169,151	10.17%	61,014,906 (L)	7.63%
Activation One	Beneficial owner	7,154,911	7.15%	42,929,466 (L)	5.37%

SUBSTANTIAL SHAREHOLDERS

Name of shareholder	Nature of interest	Number of Shares held/interested as at the Latest Practicable Date	Percentage of interest in our Company as at the Latest Practicable Date	Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Global Offering <i>(Note 1)</i>	Percentage of interest in our Company immediately after the Capitalisation Issue and the Global Offering
Step Mind Enterprises Limited	Interest of a controlled corporation <i>(Note 7)</i>	7,154,911	7.15%	42,929,466 (L)	5.37%
Ms. Low	Interest of a controlled corporation <i>(Note 7)</i>	7,154,911	7.15%	42,929,466 (L)	5.37%

Notes:

- (1) The letter “L” denotes a person’s “long position” in such Shares.
- (2) These 117,669,156 Shares are held by Activation Investment, which is wholly owned by NBS Holdings. NBS Holdings is wholly owned by Mr. Ng. By virtue of the SFO, NBS Holdings and Mr. Ng are deemed to be interested in the Shares held by Activation Investment. Mr. Ng is the director of Activation Investment and NBS Holdings.
- (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 in which Mr. Ng is interested.
- (4) These 154,413,522 Shares are held by Aurora Activation, which is wholly owned by Dashing Fortune. Dashing Fortune is wholly owned by Mr. Lau. By virtue of the SFO, Dashing Fortune and Mr. Lau are deemed to be interested in the Shares held by Aurora Activation. Mr. Lau is the director of Aurora Activation and Dashing Fortune.
- (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 in which Mr. Lau is interested.
- (6) These 169,430,994 Shares are held by Brightly Sky, which is wholly owned by ACT Partners. ACT Partners is owned as to approximately 45.74% by ACT Holdings. ACT Holdings is held under a trust for the benefit of our executive Directors, senior management and other key personnel of our Group pursuant to awards to be granted by our Company at the discretion of the Board from time to time, and Acheson Limited is the trustee of the trust. By virtue of the SFO, ACT Partners, ACT Holdings and Acheson Limited are deemed to be interested in the Shares held by Brightly Sky. Mr. Ng, Mr. Chan, Mr. Lau and Ms. Low are the directors of Brightly Sky and ACT Partners.
- (7) These 42,929,466 Shares are held by Activation One, which is wholly owned by Step Mind Enterprises Limited. Step Mind Enterprises Limited is controlled by Ms. Low. By virtue of the SFO, Step Mind Enterprises Limited and Ms. Low are deemed to be interested in the Shares held by Activation One. Ms. Low is the director of Step Mind Enterprises Limited and Activation One.

SUBSTANTIAL SHAREHOLDERS

Other members of our Group

Name of member of our Group	Name of shareholder	Percentage of interest of such shareholder
Activation Project 23	Zhang Ying (張櫻)	40%
Activation Insight	Huayuan Data Technology (Shanghai) Co., Ltd* (華院數據技術(上海)有限公司)	30%
Activation Sports Development	Ms. Zhou Zou Cheng (鄒成)	10% 10%

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

Please refer to the sections headed “History, Reorganisation and Corporate Structure” and “Relationship with our Controlling Shareholders” for details of relationships among our substantial Shareholders.

SHARE CAPITAL

The following is a summary of the authorised and issued share capital of our Company as at the date of this prospectus and immediately after completion of the Global Offering and the Capitalisation Issue:

<i>Number</i>	<i>HK\$</i>
<i>Authorised share capital:</i>	
<u>10,000,000,000</u> Shares of HK\$0.001 each	<u>10,000,000</u>
<i>Issued and to be issued and fully paid or credited as fully paid:</i>	
100,000,000 Shares in issue as at the date of this prospectus	100,000
500,000,000 Shares to be issued pursuant to the Capitalisation Issue	500,000
200,000,000 Shares to be issued pursuant to the Global Offering (excluding any Shares which may be issued under the Over-allotment Option)	200,000
<u>800,000,000</u> Shares	<u>800,000</u>

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the completion of the Global Offering and the Capitalisation Issue will be as follows:

<i>Issued and to be issued and fully paid or credited as fully paid:</i>	
100,000,000 Shares in issue as at the date of this prospectus	100,000
500,000,000 Shares to be issued pursuant to the Capitalisation Issue	500,000
200,000,000 Shares to be issued pursuant to the Global Offering	200,000
30,000,000 Shares to be issued if the Over-allotment Option is exercised in full	30,000
<u>830,000,000</u>	<u>830,000</u>

SHARE CAPITAL

Assumptions

The above table assumes that the Global Offering becomes unconditional and is completed in accordance with the relevant terms and conditions. It takes no account of any Shares which may be allotted, issued or repurchased by our Company pursuant to the general mandates granted to our Directors for the allotment and issue of Share and the repurchase of Shares as referred to below or otherwise.

Ranking

The Offer Shares and the Shares that may be issued pursuant to the Over-allotment Option will rank *pari passu* with all existing Shares in issue on the date of allotment and issue of such Shares, and in particular will be entitled to all dividends or other distributions declared, made or paid after the date of this prospectus, save with respect to entitlement under the Capitalisation Issue.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Cayman Islands Companies Law and the terms of our Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of our Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce its share capital by special resolution of our Shareholders. For more details, please refer to the section headed “Appendix III – Summary of the Constitution of our Company and Cayman Islands Company Law – 2(c) Alterations of capital”.

Pursuant to the terms of our Memorandum and Articles of Association, if at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Cayman Islands Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. For more details, please refer to the section headed “Appendix III – Summary of the Constitution of Our Company and Cayman Islands Company Law – 2(d) Variation of rights of existing shares or classes of shares”.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted the general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- (i) 20% of the aggregate number of Shares, excluding any Shares which may be issued pursuant to the Over-allotment Option in issue immediately following completion of the Global Offering and the Capitalisation Issue; and
- (ii) the aggregate number of our Shares repurchased by our Company, if any, under the general mandate to repurchase Shares referred to below.

The aggregate number of Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of Shares under a rights issue, scrip dividend scheme or similar arrangement in accordance with the Articles of Association, or pursuant to the exercise of options which were granted or may be granted under the Global Offering or upon the exercise of the Over-allotment Option.

The general unconditional mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our Company's next annual general meeting;
- the expiration of the period within which our Company is required by law or its Articles of Association to hold its next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please see section headed "Appendix IV – Statutory and General Information – Further Information about our Group – 3. Resolutions in writing of our Shareholders passed on 19 December 2019".

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of Shares of not more than 10% of the aggregate number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be issued upon the exercise of the Over-allotment Option).

SHARE CAPITAL

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the Listing Rules. A summary of the relevant requirements under the Listing Rules is set out in the section headed “Appendix IV – Statutory and General Information – Further Information about our Group – 7. Repurchase by our Company of our own securities”.

The mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- the expiration of the period within which our Company is required by law or its Articles of Association to hold its next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see “Appendix IV – Statutory and General Information – Further Information about our Group – 3. Resolutions in writing of our Shareholders passed on 19 December 2019”.

SHARE OPTION SCHEME

Our Group has conditionally adopted the Share Option Scheme. Details of the principle terms of the Share Option Scheme are summarised in the section headed “Appendix IV – Statutory and General Information – Other Information – 16. Share Option Scheme”.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our audited combined financial statements for FY2016, FY2017, FY2018, and 6M2019 and related notes thereto set forth in the Accountants' Report, as set out in Appendix I and our selected historical combined financial information and operating data included elsewhere in this prospectus. Our combined financial statements have been prepared in accordance with HKFRS. You should read the entire Accountants' Report and not merely rely on the information contained under this section of the prospectus.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumptions and analyses made by us in light of our experience and interpretation of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please refer to the sections headed "Risk Factors" and "Forward-looking Statements" in this prospectus for discussions of those risks and uncertainties.

OVERVIEW

We are a leading and fast growing integrated marketing solutions provider that focuses on the provision of experiential marketing, digital and brand communication, and public relations services which mainly operates in Shanghai and Beijing with coverage in Greater China. According to the CIC Report, in 2018 we ranked first, accounting for approximately 6.3% of the market share in the experiential marketing service for premium and luxury brands market in Greater China, the market where our Group is operating and which has a market size of approximately RMB7.9 billion. We also focus on tapping into the sports and entertainment IP development sector. In 2016, we have started our IP development business, in particular the sports market when we have entered into IP Cooperation Agreements with ASO and LaLiga to obtain exclusive rights to organise authorised events in the PRC with their brands and other rights for marketing, sponsorship, merchandising and other uses, subject to terms of the agreements.

For FY2016, FY2017, FY2018 and 6M2019, we derived our revenue mainly from the provision of experiential marketing services, which in aggregate accounted for 84.1%, 77.7%, 75.2% and 71.7% of our total revenue, respectively. Please refer to the paragraph headed "Description of Certain Key Items of the Combined Statements of Profit or Loss – Revenue breakdown by service lines" in this section for details of the breakdown of our revenue by major service lines. We derived most of our revenue from the PRC during the Track Record Period and our revenue generated from the PRC contributed 80.9%, 86.3%, 88.5% and 92.6% of our total revenue for each of FY2016, FY2017, FY2018 and 6M2019, respectively.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial conditions have been and will continue to be affected by a number of factors, including those discussed below, some of which are beyond our control.

FINANCIAL INFORMATION

Industry and overall economic and market conditions

We experienced a growth in our revenue during the Track Record Period. Our revenue from the integrated marketing solutions segment amounted to RMB358.4 million, RMB452.9 million, RMB645.9 million and RMB253.6 million for FY2016, FY2017, FY2018 and 6M2019, respectively, representing 99.0%, 92.0%, 94.4% and 92.8% of our total revenue for the same periods, respectively. Our revenue derived from IP development segment amounted to RMB3.4 million, RMB39.6 million, RMB38.4 million and RMB19.5 million for FY2016, FY2017, FY2018 and 6M2019, respectively, representing 1.0%, 8.0%, 5.6% and 7.2% of our total revenue for the same periods, respectively.

Some of our major clients are premium and luxury fashion brands. The revenue and growth of the fashion industry is highly sensitive to the general economic performance regionally and globally. As budgets of brand owners are closely related to the economic trend, our Group is indirectly exposed to the economic factors and risks that affect such brand owners, the general industry trend, the consumption behaviour of consumers and government policies. Our integrated marketing solutions would also be adversely affected if our clients are less willing to host events, shows and exhibitions as a result of tightened marketing budgets due to economic downturn.

Our ability to offer integrated marketing solutions that attract clients

Our success is dependent on our continued ability to provide integrated marketing solutions to our clients. Our overall gross profit margin were in the range of 27.3% to 37.5% during the Track Record Period, which was attributable to our ability to allocate our resources to provide a wide range of services from planning and implementing marketing strategies to running events and activities.

We believe that our integrated marketing solutions distinguish us from our competitors and allow us to maintain our competitiveness in the industry. Should we fail to stay ahead of the industry trend and rapidly respond to the latest developments and the needs of our clients in terms of offerings and pricing of our services, the continual growth of our business and our profit margin may be affected.

Our ability to expand our client base in the PRC and Hong Kong

Our success depends on our ability to increase our revenue by expanding our client base in the PRC and Hong Kong. Our revenue for FY2016, FY2017, FY2018 and 6M2019 amounted to RMB361.8 million, RMB492.5 million, RMB684.3 million and RMB273.0 million, respectively. Our revenue attributable to our PRC-based clients increased by 45.1% to RMB424.8 million for FY2017 from RMB292.8 million for FY2016, and further increased by 42.5% to RMB605.4 million for FY2018 and by 23.3% to RMB252.8 million for 6M2019 from RMB205.0 million for 6M2018. Our revenue attributed to our Hong Kong office where our services were rendered increased by 12.7% to RMB61.4 million for FY2017 from RMB54.5 million for FY2016, and further increased by 12.4% to RMB69.0 million for FY2018 and decreased by 58.8% from RMB49.3 million for 6M2018 to RMB20.3 million for 6M2019.

FINANCIAL INFORMATION

Our ability to manage and retain talented staff

As an integrated marketing solutions service provider, we believe that human resources management is one of the keys to our success. During the Track Record Period, we retained a management team with extensive industry experience and a responsive and creative workforce. To retain our dedicated employees, we offer attractive remuneration packages and create an open corporate culture. For FY2016, FY2017, FY2018 and 6M2019, our staff wages, bonus, allowance, equity-settled share-based payments and directors' remunerations amounted to RMB67.9 million, RMB84.3 million, RMB87.0 million and RMB41.8 million, respectively. The overall increase in staff costs was due to our commitment to investing in employees and retaining our talents.

Our ability to maintain or reduce the production cost

Our production cost mainly represents the cost of materials, audio and video, etc, which is one of the major costs of our integrated marketing solutions business. Such cost represented approximately 62.2%, 57.5%, 62.0% and 61.8% of our Group's cost of sales respectively for FY2016, FY2017, FY2018 and 6M2019. Save for IP Cooperation Agreements, our Group has not entered into long-term agreements with our suppliers. There is no assurance that the existing suppliers of our Group will continue to supply the materials and services to our Group at favourable or similar prices, or at all. Fluctuation in the production cost directly affects our operating cost and profitability. During the period when the production cost was going upward, we could transfer and reflect such increased cost in our quotations to clients.

The following tables sets forth a sensitivity analysis to illustrate the impact of hypothetical increase in our production cost on our profit before tax and total cost of sales for the years/period indicated, with all other factors remaining constant.

	Year ended 31 December			Six months ended	
				30 June	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax for the year/period	52,662	42,466	65,260	24,700	34,032
Assuming 5% increase in our production cost					
Impact on total cost of sales	7,052	9,866	15,873	5,847	5,732
Impact on profit before tax for the year/period	(7,052)	(9,866)	(15,873)	(5,847)	(5,732)
Assuming 10% increase in our production cost					
Impact on total cost of sales	14,104	19,732	31,746	11,694	11,464
Impact on profit before tax for the year/period	(14,104)	(19,732)	(31,746)	(11,694)	(11,464)

FINANCIAL INFORMATION

BASIS OF PREPARATION

The financial information has been prepared by our Directors based on accounting policies set out in the section headed “Appendix I – Accountants’ Report – Notes to the Historical Financial Information – 2.2. Basis of preparation” that conform with HKFRS issued by the HKICPA and the applicable disclosure provisions of the Listing Rules, and no adjustments have been made in preparing the financial information.

IMPACT OF ADOPTION OF NEW AND AMENDMENTS TO CERTAIN ACCOUNTING POLICIES

The HKICPA issued new accounting standards including HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from contracts with customers*, which have been effective since 1 January 2018, while we have consistently applied HKFRS 15 throughout the Track Record Period; and HKFRS 16 *Leases*, which has been effective for annual periods beginning on or after 1 January 2019. Please see Notes 2.2 and 2.3 of the Accountants’ Report in Appendix I to this prospectus for details of application and impact of the accounting policies to our Group.

Adoption of HKFRS 9, HKFRS 15 and HKFRS 16

HKFRS 9 *Financial Instruments* (“**HKFRS 9**”) replaces HKAS 39 *Financial Instruments: Recognition and Measurement* (“**HKAS 39**”) for annual periods beginning on or after 1 January 2018. HKFRS 9 has been adopted by our Group since 1 January 2018. The adoption of HKFRS 9 has had no significant impact on the classification and measurement of our Group’s financial instruments. The impacts arising from the adoption of HKFRS 9 relate to the impairment requirements. HKFRS 9 requires an impairment on debt instruments recorded at amortised cost that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. Our Group has applied the simplified approach and recorded lifetime expected credit losses of trade receivables both on a specific and collective basis according to management’s assessment of the recoverability of an individual receivable. Additional loss allowance of trade receivables has been adjusted for RMB2,625,000 upon the adoption of HKFRS 9.

HKFRS 15 *Revenue from Contracts with Customers* (“**HKFRS 15**”) and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. Our Group has early adopted HKFRS 15 and applied consistently since the beginning of, and throughout, the Track Record Period in the preparation of our historical financial information.

HKFRS 16 *Leases* (“**HKFRS 16**”) replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* for annual periods beginning on or after 1 January 2019. Our Group has early adopted HKFRS 16 and applied consistently since the beginning of, and throughout, the Track Record Period in the preparation of our historical financial information.

Our Group has assessed the effects of adoption of HKFRS 9, HKFRS 15 and HKFRS 16 on our financial statements and considered that the adoption did not have a significant impact on our financial positions and results of operations.

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SIGNIFICANT ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our combined financial statements. Our significant accounting policies, judgments and estimates that are important for you to understand our financial condition and results of operations, are set out in detail in Note 2.4 of Appendix I to this prospectus respectively. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Our estimates are based on historical experience, latest information and other assumptions that we believe to be reasonable under the current circumstances. Actual results may differ under different assumptions and conditions. We have not changed our assumptions or estimates in the past. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the foreseeable future.

RESULTS OF OPERATIONS

The following table sets forth a summary of our combined statements of profit or loss and other comprehensive income from the financial statement during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus:

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June 2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	361,814	492,466	684,335	257,785	273,049
Cost of sales	(226,662)	(343,171)	(511,929)	(187,356)	(185,387)
Gross profit	135,152	149,295	172,406	70,429	87,662
Other income and gains	6,942	4,911	6,831	4,178	6,972
Selling and distribution expenses	(55,389)	(58,237)	(66,197)	(27,805)	(33,827)
General and administrative expenses	(34,129)	(39,782)	(42,550)	(19,337)	(25,441)
Other expenses, net	1,052	(12,441)	(2,884)	(1,316)	(793)
Finance costs	(982)	(678)	(968)	(373)	(578)
Share of profits and losses of associates	16	(602)	(1,378)	(1,076)	37
Profit before tax	52,662	42,466	65,260	24,700	34,032
Income tax expense	(14,173)	(17,007)	(21,743)	(7,958)	(11,117)
Profit for the year/period	<u>38,489</u>	<u>25,459</u>	<u>43,517</u>	<u>16,742</u>	<u>22,915</u>
Other comprehensive income					
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations ⁽¹⁾	1,571	(5,683)	2,831	295	(162)
Total comprehensive income for the year/period	<u>40,060</u>	<u>19,776</u>	<u>46,348</u>	<u>17,037</u>	<u>22,753</u>

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- (1) Exchange differences on translation of foreign operations primarily relate to the translation of the financial statements of certain overseas subsidiaries which their functional currencies are currencies other than the RMB.

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June	
	RMB'000	RMB'000	RMB'000	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	361,814	492,466	684,335	257,785	273,049
Attributable to:					
Owners of the parent	32,452	20,961	37,114	15,246	17,621
Non-controlling interests	6,037	4,498	6,403	1,496	5,294
	<u>38,489</u>	<u>25,459</u>	<u>43,517</u>	<u>16,742</u>	<u>22,915</u>
Non-HKFRS measures: Adjusted profit for the year ^(Note)	<u>38,489</u>	<u>25,459</u>	<u>43,517</u>	<u>16,742</u>	<u>28,454</u>

Note: We define adjusted profit as profit for the year excluding the listing expenses. The term of adjusted profit is not defined under HKFRS. Our adjusted profit is solely for reference and does not include the abovementioned item that impact our profit or loss for the relevant years/period.

Non-HKFRS measures

To supplement our combined financial statements which are presented in accordance with HKFRS, we also presented the adjusted profit as non-HKFRS measures used by our management to evaluate our financial performance by eliminating the impact of the listing expenses, which are non-recurring in nature and are not indicative for evaluating the actual performance of our business. We believe that these non-HKFRS measures provide additional information to investors and others in understanding and evaluating our combined results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

The following table sets forth a reconciliation between the profit and the adjusted profit for the Track Record Period:

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June	
	RMB'000	RMB'000	RMB'000	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year/period	38,489	25,459	43,517	16,742	22,915
Adjustment for listing expenses	—	—	—	—	5,539
Adjusted profit for the year/period (non-HKFRS measures)*	<u>38,489</u>	<u>25,459</u>	<u>43,517</u>	<u>16,742</u>	<u>28,454</u>

- * We define adjusted profit as profit for the year excluding the listing expenses. The term of adjusted profit is not defined under HKFRS. Our adjusted profit is solely for reference and does not include the abovementioned item that impact our profit or loss for the relevant years/period.

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DESCRIPTION OF CERTAIN KEY ITEMS OF THE COMBINED STATEMENTS OF PROFIT OR LOSS

Revenue

We mainly derive our revenue from the provision of integrated marketing solutions, including experiential marketing, digital and brand communication and public relations, and IP development.

Revenue breakdown by service lines

The following table sets out our revenue by service lines during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2016		2017		2018		2018		2019	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
<i>Integrated marketing solutions</i>										
Experiential marketing services	304,340	84.1	382,579	77.7	514,721	75.2	212,267	82.3	195,800	71.7
Digital and brand communication services	38,504	10.6	51,363	10.4	108,204	15.8	39,261	15.2	45,398	16.6
Public relations services	15,596	4.3	18,972	3.9	23,006	3.4	6,257	2.5	12,388	4.5
	<u>358,440</u>	<u>99.0</u>	<u>452,914</u>	<u>92.0</u>	<u>645,931</u>	<u>94.4</u>	<u>257,785</u>	<u>100.0</u>	<u>253,586</u>	<u>92.8</u>
<i>IP development</i>										
Sports and entertainment services	3,374	1.0	39,552	8.0	38,404	5.6	–	–	19,463	7.2
	<u>361,814</u>	<u>100.0</u>	<u>492,466</u>	<u>100.0</u>	<u>684,335</u>	<u>100.0</u>	<u>257,785</u>	<u>100.0</u>	<u>273,049</u>	<u>100.0</u>

Integrated marketing solutions

Our integrated marketing solutions comprise of (i) experiential marketing, which includes creative design services for the event concept, event planning and management; (ii) digital and brand communication, which includes marketing and promotion through various digital social media platforms; and (iii) public relations, which includes liaison and management of media outlets, relations, KOL management and celebrity invitation. We derived our revenue through designing, organising and managing the projects for our clients to assist them in achieving significant brand building and promotional effect to mass public or targeted recipients.

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During the Track Record Period, we generated most of our revenue from the provision of experiential marketing services, which accounted for 84.1%, 77.7%, 75.2% and 71.7% of our total revenue for each of FY2016, FY2017, FY2018 and 6M2019, respectively. Apart from experiential marketing services, the provision of digital and brand communication services accounted for 10.6%, 10.4%, 15.8% and 16.6% and provision of public relations services accounted for 4.3%, 3.9%, 3.4% and 4.5% for each of FY2016, FY2017, FY2018 and 6M2019, respectively. During the Track Record Period, our integrated marketing solutions were provided in the PRC, Hong Kong and Singapore with the PRC contributing most of our revenue.

The provision of experiential marketing services has always been our major focus during the Track Record Period. Given the increasing demand for digital and brand communication services, it has been our strategy to also focus on the development of our digital and brand communication services. As a result, the proportion of provision of our digital and brand communication services as a percentage of our total revenue increased from 10.6% for FY2016 to 16.6% for 6M2019.

In this segment, our clients are mainly premium and luxury brands and automobiles brands. For further details of our business operations and prospects in this segment, please refer to the section headed “Business – Our Integrated Marketing Solutions”.

IP development

We started our IP development business since 2016 with a focus on sports and entertainment markets. Currently, we have been granted with exclusive rights to use the IPs of LaLiga Club and Le Tour de France in the PRC for authorised events and other rights for marketing, sponsorship, merchandising and other uses. During the Track Record Period, our revenue generated from IP development accounted for 1.0%, 8.0%, 5.6% and 7.2% of our total revenue for each of FY2016, FY2017, FY2018 and 6M2019, respectively.

Our Directors consider that there is a good prospect in the business of IP development. We have therefore gradually expanded our IP development segment during the Track Record Period resulting in an increasing proportion of revenue contributed by our IP development segment from representing 1.0% of our total revenue in FY2016 to 7.2% of our total revenue in 6M2019.

In this segment, our income stream is more diverse as compared with our integrated marketing solutions. We may derive revenue from our investment income in projects, profit sharing on events, sponsorship, media partners and merchandising activities, ticketing income from sports events, miscellaneous fees and income for various kinds of marketing activities we provided and sponsorships from external parties. For further details of our business operation and prospect in this segment, please refer to the section headed “Business – Our IP Development”.

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Revenue breakdown by geographical locations

Most of our clients are premium and luxury brands and automobiles brands. Many of our clients have established business presence in the PRC, mainly in Shanghai or Beijing, where our offices are located. The following table sets out our revenue by geographical locations during the Track Record Period. The following breakdown is based on the location where the underlying services were rendered.

	Year ended 31 December						Six months ended 30 June			
	2016		2017		2018		2018		2019	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Geographical locations										
<i>Integrated marketing solutions</i>										
Mainland China	289,447	79.9	385,216	78.3	567,009	82.9	205,030	79.5	233,331	85.4
Hong Kong	54,522	15.1	61,397	12.5	68,989	10.1	49,335	19.1	20,255	7.4
Singapore	14,471	4.0	6,301	1.3	9,933	1.5	3,420	1.3	-	-
	<u>358,440</u>		<u>452,914</u>		<u>645,931</u>		<u>257,785</u>		<u>253,586</u>	
<i>IP development</i>										
Mainland China	3,374	1.0	39,552	8.0	38,404	5.6	-	-	19,463	7.2
Total revenue	<u>361,814</u>		<u>492,466</u>		<u>684,335</u>		<u>257,785</u>		<u>273,049</u>	

We derived most of our revenue from our major clients in the PRC during the Track Record Period, which accounted for 80.9%, 86.3%, 88.5% and 92.6% of our total revenue for each of FY2016, FY2017, FY2018 and 6M2019, respectively. Our Hong Kong office mainly handles experiential marketing and public relations project while our PRC office offers a full range of integrated marketing solutions, including digital and brand communication services as well as IP development.

Overall speaking, our Group was able to achieve significant revenue growth during the Track Record Period mainly due to factors including but not limited to (i) the growing IP development segment; (ii) the significant growth of our digital and brand communication business; (iii) adjustment on our pricing strategy to restore greater market share and accepting lower gross profit margin for larger contract sum projects; and (iv) the fast growing and favourable industry environment as indicated in the CIC Report.

Cost of sales

Our cost of sales mainly includes production cost, third party service cost, media cost and venue rental cost.

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The following table sets forth the principal components of our cost of sales during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2016		2017		2018		2018		2019	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Production cost	141,036	62.2	197,316	57.5	317,451	62.0	116,935	62.4	114,644	61.8
Third party service cost	55,503	24.5	96,022	28.0	96,146	18.8	36,171	19.3	26,162	14.1
Media cost	20,851	9.2	39,102	11.4	76,907	15.0	23,920	12.8	39,826	21.5
Venue rental cost	9,272	4.1	10,731	3.1	21,425	4.2	10,330	5.5	4,755	2.6
	<u>226,662</u>		<u>343,171</u>		<u>511,929</u>		<u>187,356</u>		<u>185,387</u>	

Our production cost mainly represents the cost of materials, event venue set-up, audio, video and lighting and etc. and accounted for the largest and majority portion of our cost of sales, represented 62.2%, 57.5%, 62.0% and 61.8% of our total cost of sales for FY2016, FY2017, FY2018 and 6M2019, respectively. The increase in our cost of sales during the Track Record Period was generally in line with our business growth. Third party service cost primarily represents the fees paid for show performers, travel and accommodation, safety assurance etc. The media cost mainly represents the media promotion fees paid to KOLs, cost in relation to promoting client's products/services through various social media platforms, such as Weibo, Wechat, 小紅書 (Redbook) and 抖音 (Douyin) and etc.. According to the LaLiga Cooperation Agreements, for LaLiga Club events, our Group will share the net profit of the events with and pay royalties to LaLiga from 1 January 2020. For Le Tour de France races, the royalty fee to ASO was accounted for as incurred and included in the production cost in the cost of sales.

Gross profit and gross profit margin

Our overall gross profit was RMB135.2 million, RMB149.3 million, RMB172.4 million and RMB87.7 million for each of FY2016, FY2017, FY2018 and 6M2019, respectively. Our overall gross profit margin was approximately 37.4%, 30.3%, 25.2% and 32.1% for each of FY2016, FY2017, FY2018 and 6M2019, respectively.

	Year ended 31 December						Six months ended 30 June			
	2016		2017		2018		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Integrated marketing solutions										
Experiential marketing services	105,244	34.6	112,416	29.4	135,100	26.2	55,385	26.1	54,180	27.7
Digital and brand communication services	21,837	56.7	20,098	39.1	33,367	30.8	11,033	28.1	16,472	36.3
Public relations services	7,283	46.7	11,746	61.9	7,743	33.7	4,011	64.1	6,173	49.8
	<u>134,364</u>	<u>37.5</u>	<u>144,260</u>	<u>31.9</u>	<u>176,210</u>	<u>27.3</u>	<u>70,429</u>	<u>27.3</u>	<u>76,825</u>	<u>30.3</u>
IP development										
Sports and entertainment services	788	23.4	5,035	12.7	(3,804)	(9.9)	-	N/A	10,837	55.7
	<u>135,152</u>	<u>37.4</u>	<u>149,295</u>	<u>30.3</u>	<u>172,406</u>	<u>25.2</u>	<u>70,429</u>	<u>27.3</u>	<u>87,662</u>	<u>32.1</u>

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During the Track Record Period, our gross profit was mainly derived from the provision of experiential marketing services, which accounted for 77.9%, 75.3%, 78.4% and 61.8% of our total gross profit for FY2016, FY2017, FY2018 and 6M2019, respectively. For details of the reasons of our gross profit margin fluctuation, please refer to the section headed “Financial Information – Review of Historical Operating Results” in this prospectus.

Overall speaking, our Group had decreasing gross profit margin during FY2016 to FY2018 mainly due to factors including but not limited to (i) adjustment on our pricing strategy to restore greater market share (in particular in the digital and brand communication services); (ii) we had accepted lower gross profit margin projects for larger contract sum projects, in particular for automobile projects; and (iii) fluctuation of gross profit margin in the IP development segment and our public relation service during the Track Record Period. However, our Group’s gross profit margin has restored during the six months ended 30 June 2019, mainly due to factors including the significant contribution from the IP development segment mainly in relation to the online drama 《出線了, 初戀》 and the L’Étape race in Zhuzi, Zhejiang as well as our increased provision of fashion and jewellery experiential and digital and brand communication services which carried a higher gross profit margin, during the six months ended 30 June 2019.

Other income and gains

The following table sets out a breakdown of our other income and gains during the Track Record Period:

	Year ended 31 December			Six months ended	
				30 June	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	6,156	4,170	6,565	4,060	6,372
Bank interest income	93	149	186	118	488
Management fees	525	355	–	–	–
Others	168	237	80	–	112
	<u>6,942</u>	<u>4,911</u>	<u>6,831</u>	<u>4,178</u>	<u>6,972</u>

Our other income and gains mainly includes government grants. The government grants were generally non-recurring in nature and were received by certain subsidiaries of our Group from the PRC’s local government authorities as incentives to support our Group’s business development, contribution to local economies, contribution for developing the cultural industry in the specific cities.

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Selling and distribution expenses

Our selling and distribution expenses primarily include staff cost, operating expenses and travel and accommodation expenses, among which, operating expenses mainly includes business development expenses and office expenses. The following table sets out the breakdown of our selling and distribution expenses during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Staff cost	50,282	53,559	62,626	26,335	32,042
Operating expenses	3,467	3,265	2,395	908	811
Travel and accommodation expenses	1,326	1,003	1,015	486	876
Others	314	410	161	76	98
	<u>55,389</u>	<u>58,237</u>	<u>66,197</u>	<u>27,805</u>	<u>33,827</u>

Our selling and distribution expenses remained stable during the Track Record Period as our staff cost contributed the majority proportion of our selling and distribution expenses, which accounted for 90.8%, 92.0%, 94.6% and 94.7% of the selling and distribution expenses for each of FY2016, FY2017, FY2018 and 6M2019, respectively. Staff cost represents mainly remuneration of our staff who handle our client accounts, creative and project management. Such remuneration is generally fixed salary with discretionary bonus and we generally do not adopt a commission-based remuneration system for our staff. Our staff cost remained relatively stable during the Track Record Period as the number of our staff who handle our client accounts, creative and project management and their remuneration packages remained relatively stable during the same period. As such, our relatively stable selling and distribution expenses may not necessarily correspond with our revenue growth during the Track Record Period.

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General and administrative expenses

Our general and administrative expenses mainly include staff cost, legal and professional fees, rental expenses, and etc. The following table sets out the breakdown of our general and administrative expenses during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2016		2017		2018		2018		2019	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Staff cost	17,654	51.7	23,070	58.0	24,353	57.2	10,705	55.4	9,793	38.5
Legal and professional fees	3,861	11.3	4,268	10.7	4,900	11.5	2,418	12.5	3,237	12.7
Listing expenses	-	-	-	-	-	-	-	-	5,539	21.8
Depreciation and										
Amortisation	2,451	7.2	3,847	9.7	3,891	9.1	1,854	9.6	1,573	6.2
Rental cost	4,443	13.0	2,257	5.7	2,323	5.5	1,189	6.1	1,279	5.0
Office and utilities expenses	2,459	7.2	2,468	6.2	3,057	7.2	1,301	6.7	1,411	5.5
Other taxes	1,145	3.4	1,415	3.6	1,493	3.5	671	3.5	836	3.3
Others	2,116	6.2	2,457	6.1	2,533	6.0	1,199	6.2	1,773	7.0
	<u>34,129</u>		<u>39,782</u>		<u>42,550</u>		<u>19,337</u>		<u>25,441</u>	

During the Track Record Period, staff cost contributed the largest proportion of our general and administrative expenses, which represents the cost of our administrative personnel, human resources staff, finance staff, and etc.. The staff cost accounted for 51.7%, 58.0%, 57.2% and 38.5% of the general and administrative expenses for each of FY2016, FY2017, FY2018 and 6M2019, respectively. The Listing expenses represent mainly the professional fees paid for the purpose of the Listing. The legal and professional fees mainly represent our cost on legal fees and auditor remuneration, which accounted for 11.3%, 10.7%, 11.5% and 12.7% of the general and administrative expenses for each of FY2016, FY2017, FY2018 and 6M2019, respectively. Depreciation and amortisation expenses relate primarily to the depreciation and amortisation of our property, plant and equipment.

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Other expenses, net

The following table sets forth the components of our other expenses, net during the Track Record Period.

	Year ended 31 December			Six months ended	
				30 June	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Impairment/(reversal of impairment) of trade receivables:	(204)	694	1,180	1,078	767
Fair value (gains)/losses, net in investment in entertainment projects	–	4,093	(288)	–	(70)
Foreign exchange difference, net	(990)	(48)	(83)	(74)	(30)
Equity-settled share-based payment	–	7,644	–	–	–
Loss on disposal of investment in an associate	–	–	433	–	–
Write-off of other receivables	–	–	269	269	–
Others	142	58	1,373	43	126
	<u>(1,052)</u>	<u>12,441</u>	<u>2,884</u>	<u>1,316</u>	<u>793</u>

For each of FY2016, FY2017, FY2018 and 6M2019, we recorded expenses of foreign exchange difference, net of RMB990,000, RMB48,000, RMB83,000 and RMB30,000 respectively.

During the Track Record Period, our Group entered into certain investment agreements with external third parties to collaborate on the production and commercialisation of certain theatre circus shows, an online reality shows and an online drama, which entitle our Group to, among others, the rights to recoup its investment amounts and to share net profit or loss of the respective entertainment projects attributable to our Group. Our Group recorded a fair value loss of RMB4.1 million in FY2017. Such fair value loss was mainly attributed to the loss of RMB3.3 million for the production of 《超次元偶像》, a PRC online show featuring various popstars and KOLs as guests. Our Directors considered that the fair value loss was not material to the business of our Group, while in terms of strategic value, this show has (i) opened up our cooperation with Hunan Mango Entertainment Limited; and (ii) marketed our Group in the PRC online entertainment sector. The remaining fair value loss of RMB0.8 million in FY2017

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was attributable to the production of 《Soho》, a live stunt show staged in London, which was our first cooperation with Stufish Productions, a world recognised leader in the production of entertainment shows. Our Directors considered that the loss of RMB0.8 million was acceptable as it was our Group's first attempt to produce such genre of entertainment show and that Stufish Productions is a strategic business partner that can assist our Group in our experiential marketing projects when performers are required and it may refer entertainment shows' marketing projects to our Group.

During the Track Record Period, our Group granted shares of the holding companies of Activation Group (the “**Awarded Shares**”) to provide incentives and rewards to certain eligible directors/employees of our Group who contributed to the success of the operations/performance of our Group. During FY2017, 8,489,742 Awarded Shares were granted to eligible employees of our Group. The fair value of the Awarded Shares granted during FY2017 was RMB7.6 million, of which our Group recognised as an equity-settled share-based payment expense of the same amount.

Finance costs

Finance costs represents interest incurred from bank borrowings and unwinding of finance costs on lease liabilities. For each of FY2016, FY2017, FY2018 and 6M2019, our finance costs amounted to RMB1.0 million, RMB0.7 million, RMB1.0 million and RMB0.6 million, respectively and of which, our unwinding of finance costs on lease liability amounted to RMB0.5 million, RMB0.6 million, RMB0.6 million and RMB0.2 million, respectively.

Share of profits and losses of associates

Share of profits and losses of associate mainly represents the operation results of Stufish Asia, the entity we invested in to tap into the entertainment IP development segment and which has produced the live stunt show ELĒKRÖN in January 2019. For each of FY2016, FY2017, FY2018 and 6M2019, our share of profits and losses of associates amounted to RMB16,000, RMB(0.6) million, RMB(1.4) million and RMB37,000, respectively.

Income tax expenses

For each of FY2016, FY2017, FY2018 and 6M2019, the income tax expenses we incurred amounted to RMB14.2 million, RMB17.0 million, RMB21.7 million and RMB11.1 million, respectively. Our profits are either earned in (i) the PRC, where the majority of our operating subsidiaries were subject to an income tax rate of 25% for the Track Record Period; (ii) Hong Kong, where Activation Marketing, Activation Events HK and Activation VIA were subject to profits tax of 16.5% for the Track Record Period; and (iii) Singapore, where Activation Events SGP was subject to profits tax of 17% for the Track Record Period. The income tax expenses incurred during the Track Record Period were primarily attributable to our assessable profit generated in the PRC. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had no material disputes or unresolved tax issues with the relevant tax authorities.

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The effective tax rates for each of FY2016, FY2017, FY2018 and 6M2019 were 26.9%, 40.0%, 33.3% and 32.7% respectively. For further analysis on the effective tax rates during the Track Record Period, please refer to the section headed “Financial Information – Review of Historical Operating Results” in this prospectus.

REVIEW OF HISTORICAL OPERATING RESULTS

Six months ended 30 June 2019 compared to six months ended 30 June 2018

Revenue

Our revenue remained relatively stable with a slight increase from RMB257.8 million in 6M2018 to RMB273.0 million in 6M2019, representing an increase of approximately RMB15.2 million or 5.9% as compared to 6M2018. Such increase was mainly due to our revenue contributed by our IP development business. For IP development business, we recorded no revenue for 6M2018 and we recorded RMB19.5 million of revenue for 6M2019. The revenue generated from the IP development segment for 6M2019 was mainly derived from our launch of the L'Étape races in Zhuji, Zhejiang and the launch of the online drama 《出線了, 初戀》 in 6M2019. For integrated marketing solutions, our revenue decreased slightly by RMB4.2million, or 1.6%, from RMB257.8 million for 6M2018 to RMB253.6 million for 6M2019, which was mainly due to the fact that we held a large experiential marketing project in our Hong Kong office with revenue contribution of RMB18.2 million in 6M2018 and we had no comparable project in 6M2019.

Cost of sales

Our cost of sales were relatively stable with a slight decrease of 1.1% for 6M2019 as compared to 6M2018. Such decrease was in line with the slight decrease of our revenue derived from integrated marketing solution business as analysed above. In terms of components, the production cost, being the major component of our cost of sales, remained relatively stable for 6M2019 compared with 6M2018. Third party service cost has decreased by approximately RMB10.0 million while media cost has increased by RMB15.9 million. This was mainly due to taking up projects with more digital and brand communication elements by us during the 6M2019 while we were focusing more on automobile projects which required heavy third party service during 6M2018.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB17.3 million or 24.6% from RMB70.4 million for 6M2018 to RMB87.7 million for 6M2019. Our gross profit margin increased by 4.8% from 27.3% for 6M2018 to 32.1% for 6M2019. That was mainly due to the contribution of IP development segment which recorded a gross profit margin of 55.7% in 6M2019 (nil gross profit in 6M2018). There was also a general improvement in terms of gross profit margin in the experiential marketing services and digital and brand communication services in 6M2019. The significant increase in gross profit margin for 6M2019 is mainly

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contributed by the online drama 《出線了，初戀》 featuring La Liga Club in April 2019 and the L'Étape race in Zhuji, Zhejiang in May 2019. The online drama carried a higher gross profit margin as the revenue from arranging the broadcasting right of the drama was recognised when the online drama was broadcast during the current period while most of the related cost were expensed as incurred in 2018. The L'Étape race in Zhuji carried a higher gross profit margin as we believe we have built up our expertise in running L'Étape races and that the revenue such as sponsorship and ticketing income, etc. we received for this race was in line with our estimation and the project was under good cost control. For experiential marketing services, we delivered more events for our clients from the fashion industry and less events for our clients from automobile industry in 6M2019 and that, generally speaking, projects carried out for our automobile brand clients had a lower gross profit margin as compared with fashion and jewellery projects.

Other income and gains

Our other income and gains increased by RMB2.8 million or 66.7% from RMB4.2 million for 6M2018 to RMB7.0 million for 6M2019 primarily due to the increase in non-recurring government grants of RMB2.3 million received in 6M2019 and the increase in bank interest income of RMB0.4 million when compared with 6M2018.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB6.0 million or 21.6% from RMB27.8 million for 6M2018 to RMB33.8 million for 6M2019 primarily due to the increase in staff cost from RMB26.3 million for 6M2018 to RMB32.0 million for 6M2019. The increase was mainly due to the hiring of more staff across our Group to further enhance our overall business capabilities.

General and administrative expenses

Our administrative expenses increased by RMB6.1 million or 31.6% from RMB19.3 million for 6M2018 to RMB25.4 million for 6M2019. Such increase was primarily due to the listing expenses of RMB5.5 million incurred in the relevant period.

Other expenses, net

Our other expenses, net decreased by RMB0.5 million or 38.5% from RMB1.3 million for 6M2018 to RMB0.8 million for 6M2019. Such decrease was primarily due to the decrease in impairment of trade receivables as the overall aging of our trade receivables improved in 6M2019 compared with FY2018.

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Finance costs

Our finance costs increased by RMB0.2 million or 50.0% from RMB0.4 million for 6M2018 to RMB0.6 million for 6M2019. It was mainly due to the increase in total interest costs on bank borrowings from RMB0.1 million in 6M2018 to RMB0.3 million in 6M2019 as our average bank borrowing has increased during 6M2019.

Share of profits and losses of associates

We shared a profit of RMB37,000 from the share of results of associates for 6M2019 as opposed to a loss of RMB1.1 million for 6M2018. The increase was due to the revenue from Stufish Asia in the first half of 2019 in relation to the launch of live stunt show ELĚKRŮN in 6M2019.

Income tax expense

Our income tax expense increased by RMB3.1 million or 38.8% from RMB8.0 million for 6M2018 to RMB11.1 million for 6M2019. The increase was mainly due to increase in our profit before tax by RMB9.3 million. Our effective tax rate at 32.7% in 6M2019 has remained relatively stable as compared to 32.2% in 6M2018.

Net profit

As a result of the foregoing, our net profit for the year increased by RMB6.2 million, from RMB16.7 million for 6M2018 to RMB22.9 million for 6M2019. Our net profit margin increased slightly from 6.5% for 6M2018 to 8.4% for 6M2019.

Adjusted profit (Non-HKFRS measures)

Our Group recorded adjusted profit of RMB28.5 million for 6M2019, compared with RMB16.7 million for 6M2018, representing an increase of RMB11.8 million and a significant growth of 70.7%. It was mainly due to the adjustment of RMB5.5 million of Listing expenses.

Year ended 31 December 2018 compared to year ended 31 December 2017

Revenue

Our revenue increased by RMB191.8 million, or 38.9%, from RMB492.5 million for FY2017 to RMB684.3 million for FY2018. In terms of segment, integrated marketing solutions segment contributed almost entirely to the growth in revenue for the compared years, while IP development segment remained relatively stable. The significant increase in revenue was mainly due to the increase in revenue of (i) experiential marketing services by RMB132.1 million, or 34.5%, from RMB382.6 million in FY2017 to RMB514.7 million in FY2018; and (ii) digital and brand communication services by RMB56.8 million, or 110.5%, from RMB51.4 million for FY2017 to RMB108.2 million for FY2018. The increase in the revenue from experiential marketing services, was mainly due to the combined effect of (i) our Group undertaking projects of larger contract sum in FY2018 compared with FY2017; (ii) our group adjusting our pricing strategy to restore greater market share; and (iii) the fast growing and favourable industry environment as indicated in the CIC Report.

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Our revenue in digital and brand communication services has increased significantly by RMB56.8 million or 110.5% between FY2017 and FY2018. It was primarily due to the fact that we have developed and launched a new service known as “comprehensive digital campaign offering” to our clients. For instance, Client I, a lifestyle fashion brand, engaged us for our comprehensive digital campaign offering services which contributed RMB27.7 million to our Group’s revenue in FY2018. This comprehensive digital campaign offering encompassed a range of services including the live streaming of a music festival on Tmall and operating digital promotion platforms on Weibo/WeChat through KOLs, etc..

Cost of sales

Our cost of sales increased by RMB168.7 million, or 49.2%, from RMB343.2 million for FY2017 to RMB511.9 million for FY2018. Overall speaking, the increase in our cost of sales was mainly driven by the increase in our revenue. The fluctuations in the cost of sales components were mainly dependent on the types and mix of projects we carried out in the respective periods. In terms of components breakdown, production cost increased by 60.9% from RMB197.3 million for FY2017 to RMB317.5 million for FY2018. Such increase was generally in line with our business growth. Media cost increased by 96.7% from RMB39.1 million in FY2017 to RMB76.9 million in FY2018 was in line with our revenue increase in digital and brand communication services. Such increase represented our business growth in this sector. The venue rental cost increased by 100% or RMB10.7 million, from RMB10.7 million in FY2017 to RMB21.4 million in FY2018. Such significant increase was mainly due to two automobile projects with test driving and an event in an art centre in Beijing.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB23.1 million, or 15.5%, from RMB149.3 million for FY2017 to RMB172.4 million for FY2018. Our overall gross profit margin decreased by 5.1% from 30.3% for FY2017 to 25.2% for FY2018, it was mainly due to the significant drop in gross profit margin for public relation services and IP development. Our gross profit margin for experiential marketing services has dropped slightly mainly due to our pricing strategy to obtain more market share and gross profit margin for digital and brand communication services has also dropped mainly due to additional costs spent on our development and building of our new comprehensive digital campaign offering service in FY2018. Our gross profit margin in public relations services decreased by 28.2% from 61.9% for FY2017 to 33.7% for FY2018 mainly due to an one-off project of exceptional strategic value which we undertook in FY2018 with negative profit margin. This project involved two art gallery exhibitions known as (i) *Hon: Niki de Saint Phalle & Shen Yuan* at the Power Station of Art in Shanghai, which was scheduled for the period from 18 August 2018 to 14 October 2018, and (ii) *Niki de Saint Phalle* at Today Art Museum in Beijing, which was scheduled for the period from 23 November 2018 to 10 March 2019, featuring a French-American female artist who is famous for her monumental sculpture and large-scale public art which often carries a strong feminist theme. Our Directors confirmed and believed that by having an artistic project in Shanghai and Beijing, it would appeal to our French-based clients of luxury and premium brands and would allow our Group to differentiate ourselves from our competitors juxtaposed with our corporate and social responsibility in enriching art and culture in Shanghai and Beijing. In terms of real amount, the gross loss of approximately RMB4.8

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million was recorded for this project. Due to the response of the exhibition in Shanghai and our loss incurred in undertaking such exhibition project, our Group had subsequently renegotiated with our client and decided not to proceed with the organisation of the exhibition project in Beijing, save for the arrangement of logistics from Shanghai to Beijing after the exhibition ended in Shanghai. Our public relations services is relatively small and is sensitive to significant outliers. This project alone had significantly dragged down the gross profit margin of our public relations services by 22.4% for the compared years. We categorised this project as our public relations project instead of an experiential marketing project mainly because this project was brought to us by one of our senior management in public relations and that the challenge of this project was to manage the media coverage of the exhibitions and to arouse public interest in the exhibitions.

Our gross profit margin in IP development decreased by 22.6% from 12.7% for FY2017 to (9.9)% for FY2018 mainly because of the developing and building of our IP development segment and such loss was the result of our Group's increased spending to improve our business operation in our Le Tour de France competitions for our future growth, coupled with that we have secured less sponsorship than we have estimated.

Other income and gains

Our other income and gains increased by RMB1.9 million, or 38.8%, from RMB4.9 million for FY2017 to RMB6.8 million for FY2018, mainly because of the increase in non-recurring government grants of RMB2.4 million as we obtained the government grant of small and medium enterprises support funds (中小企業扶持資金) and Thousand Talents Program in Shanghai (上海千人計劃) for the total amount of RMB1.9 million.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB8.0 million, or 13.7%, from RMB58.2 million for FY2017 to RMB66.2 million for FY2018. Such increase was primarily due to increase in staff cost. Such increase in staff costs was largely in line with our increase in headcounts, driven by our expansion in business operation and increment of staff annual salary.

General and administrative expenses

Our administrative expenses increased by RMB2.8 million, or 7.0%, from RMB39.8 million for FY2017 to RMB42.6 million for FY2018. Such increase was primarily due to increase in staff cost of RMB1.3 million in FY2018 driven by the cost of management personnel, human resources staff, finance staff and etc.

Other expenses, net

Our other expenses, net decreased by RMB9.5 million, or 76.6%, from RMB12.4 million for FY2017 to RMB2.9 million for FY2018. Such decrease was primarily due to the decrease in fair value change in investment in entertainment projects of RMB4.4 million in FY2018 and that no equity-settled share-based payment was incurred in FY2018.

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Finance costs

Our finance costs increased by RMB0.3 million or 42.9%, from RMB0.7 million for FY2017 to RMB1.0 million for FY2018 mainly due to the increase in interest on bank borrowings from RMB0.07 million for FY2017 to RMB0.4 million for FY2018 as our Group had increased our average bank borrowings in FY2018.

Share of profits and losses of associates

We shared a loss of RMB1.4 million from the share of results of associates for FY2018, as opposed to a loss of RMB0.6 million for FY2017. The loss of RMB0.8 million was attributable to Stufish Asia's first year of operating cost before the commencement of ELĒKRÖN in 2019.

Income tax expense

Our income tax expense increased by RMB4.7 million, or 27.6%, from RMB17.0 million for FY2017 to RMB21.7 million for FY2018. The increase was mainly due to increase in our profit before tax by RMB22.8 million. Our effective tax rate was at 33.3% in FY2018 which was higher than the Corporate Income Tax of 25% mainly due to withholding tax derived from the dividends declared. Our effective tax rate was at 40.0% in FY2017 and was also higher than the Corporate Income Tax of 25%, mainly due to the effect of non-deductible expenses incurred from the equity-settled share-based payment in FY2017.

Net profit

As a result of the foregoing, our net profit for the year increased by RMB18.0 million, from RMB25.5 million for FY2017 to RMB43.5 million for FY2018. It was largely driven by our increase in revenue in FY2018, fuelled by the combined effect of (i) our Group undertaking projects of larger contract sum in FY2018 compared with FY2017; and (ii) the launch of our new digital and brand communication service "comprehensive digital campaign offering" which led to our 100% growth in revenue in this sector. Our net profit margin increased slightly from 5.2% for FY2017 to 6.4% for FY2018.

Year ended 31 December 2017 compared to year ended 31 December 2016

Revenue

Our revenue increased by RMB130.7 million, or 36.1%, from RMB361.8 million for FY2016 to RMB492.5 million for FY2017. Such increase was mainly driven by both of our segments. For integrated marketing solutions, it was mainly due to the increase in revenue derived from the provision of experiential marketing services and for IP development, it was driven by our IP rights of LaLiga Club and Le Tour de France. The revenue of experiential marketing services increased by RMB78.3 million, or 25.7%, from RMB304.3 million for FY2016 to RMB382.6 million for FY2017. It was mainly attributable to our automobile projects, which Client D, contributed RMB85.5 million to our revenue in FY2017. In terms of geographical breakdown, revenue contributed from Hong Kong/Singapore remained relatively stable at RMB67.7 million in FY2017 and RMB69.0 million in FY2016.

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For our IP development segment, we began to activate our IP rights in LaLiga Club and Le Tour de France in the PRC in FY2017, during which we were still in our planning phase in FY2016. Our IP development segment had contributed RMB39.6 million of our revenue in FY2017, compared with RMB3.4 million in FY2016. The revenue was mainly from sponsorships.

Cost of sales

Our cost of sales increased by RMB116.5 million, or 51.4%, from RMB226.7 million for FY2016 to RMB343.2 million for FY2017. Such increase was primarily attributable to (i) the increase in various cost components arising from our IP development segment in FY2017; (ii) the general increase in costs in line with our growth in revenue in FY2017 compared with FY2016. In terms of components breakdown, the production cost has increased from RMB141.0 million in FY2016 to RMB197.3 million in FY2017, representing a growth of 39.9%. Third party service cost has increased from RMB55.5 million in FY2016 to RMB96.0 million in FY2017, representing a growth of 73.0%. This was generally in line with our increase in automobile projects' revenue contribution in FY2017 as typically in an automobile event, the third party service cost is generally higher. The increase in media cost by 87.1% from RMB20.9 million for FY2016 to RMB39.1 million for FY2017 was mainly because of our cost incurred for our first launch of KOL promotion service in 2017.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB14.1 million, or 10.4%, from RMB135.2 million for FY2016 to RMB149.3 million for FY2017. Our overall gross profit margin decreased by 7.1% from 37.4% for FY2016 to 30.3% for FY2017 mainly due to our pricing strategy to reduce our margin for getting more market shares and that we had accepted lower gross profit margin for larger contract sum projects, in particular for automobile projects. The decrease was mainly due to the decrease of gross profit margin in our digital and brand communication services which was offset by the increase of gross profit margin in our public relations services. Our gross profit margin in digital and brand communication services decreased by 17.6% from 56.7% for FY2016 to 39.1% for FY2017 mainly due to our effort to expand in this segment and we had lowered our margin in order to capture greater market share. Our gross profit margin in public relations services increased by 15.2% from 46.7% for FY2016 to 61.9% for FY2017 mainly due to our commencement on annual retainers in public relations services in 2017 which carried a higher gross profit margin than one-off projects.

As for our IP development segment, our gross profit in FY2017 was RMB5.0 million with gross profit margin of 12.7%, whereas our gross profit in FY2016 was RMB0.8 million with gross profit margin of 23.4%. Such difference was due to the fact that we had begun to activate our IP rights of LaLiga Club and Le Tour de France in PRC in FY2017, which we were still in our planning phase in FY2016.

Other income and gains

Our other income and gains decreased by RMB2.0 million, or 29.0%, from RMB6.9 million for FY2016 to RMB4.9 million for FY2017. Such decrease was mainly because of the decrease in non-recurring government grants obtained by us in FY2017 compared with a special government grant we obtained in support of our listing in NEEQ in FY2016.

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Selling and distribution expenses

Our selling and distribution expenses increased by RMB2.8 million, or 5.1%, from RMB55.4 million for FY2016 to RMB58.2 million for FY2017. Such increase was primarily due to the increase in staff cost as we hired more project staff.

General and administrative expenses

Our administrative expenses increased by RMB5.7 million, or 16.7%, from RMB34.1 million for FY2016 to RMB39.8 million for FY2017. This increase was primarily due to the increase in staff cost incurred on the cost of management personnel, human resources staff, finance staff, etc..

Other expenses, net

Our other expenses, net increased significantly from RMB(1.1) million to RMB12.4 million in FY2017. This increase was primarily due to the increase in fair value losses, net of investment in entertainment projects and equity-settled share-based payment in FY2017.

Finance costs

Our finance costs decreased by RMB0.3 million or 30.0%, from RMB1.0 million for FY2016 to RMB0.7 million for FY2017. This decrease was primarily due to the decrease in interest expenses on bank borrowings in FY2017 as our average bank borrowing has decreased during FY2017.

Share of profits and losses of associates

We shared a loss of RMB0.6 million from the share of results of associates for FY2017, as opposed to a profit of RMB16,000 for FY2016. The loss was due to our investment in Stufish Asia, which was at its planning and development stage during the material time.

Income tax expense

Our income tax expense increased by RMB2.8 million, or 19.7%, from RMB14.2 million for FY2016 to RMB17.0 million for FY2017. Such increase was mainly due to our incurring of the share-based payment of RMB7.6 million as non-deductable expenses in FY2017. Our effective tax rate was at 26.9% in FY2016 as compared to an effective tax rate of 40.0% in FY2017, which was higher than the Corporate Income Tax of 25.0% due to the effect of non-deductible expenses incurred from the equity-settled share-based payment in FY2017.

Net profit

As a result of the foregoing, our net profit for the year decreased by RMB13.0 million from RMB38.5 million for FY2016 to RMB25.5 million for FY2017. It was largely due to the combined effect of (i) RMB4.1 million fair value losses in investment in our entertainment projects in FY2017; and (ii) the expenses of RMB7.6 million of equity-settled share-based payment in FY2017. Our net profit margin decreased from 10.6% for FY2016 to 5.2% for FY2017 primarily due to the decrease in overall gross profit margin as discussed above.

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DESCRIPTION OF CERTAIN ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

The following table sets forth a summary of our combined statements of financial position as at the dates indicated:

	As at 31 December			As at
	2016	2017	2018	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	2,059	1,647	1,865	1,886
Right-of-use assets	9,851	10,663	10,057	14,585
Goodwill	9,164	10,233	10,233	10,233
Intangible assets	289	297	232	230
Investments in associates	500	8,335	6,524	6,561
Investments in entertainment projects	–	258	283	353
Deferred tax assets	949	1,990	2,434	1,096
Total non-current assets	<u>22,812</u>	<u>33,423</u>	<u>31,628</u>	<u>34,944</u>
CURRENT ASSETS				
Investments in entertainment projects	–	2,700	6,917	4,271
Trade receivables	103,935	189,392	258,647	208,117
Prepayments, deposits and other receivables	27,663	27,185	19,525	35,803
Due from a shareholder	11,543	17,429	–	–
Cash and cash equivalents	72,631	70,811	88,397	103,852
Total current assets	<u>215,772</u>	<u>307,517</u>	<u>373,486</u>	<u>352,043</u>
CURRENT LIABILITIES				
Trade payables	59,610	114,661	163,073	149,849
Other payables and accruals	33,801	62,188	55,910	80,887
Interest-bearing bank borrowings	2,999	–	19,000	9,000
Lease liabilities	1,243	3,231	1,651	3,516
Tax payable	9,569	13,601	13,234	6,473
Total current liabilities	<u>107,222</u>	<u>193,681</u>	<u>252,868</u>	<u>249,725</u>

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	As at 31 December			As at
	2016	2017	2018	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NET CURRENT ASSETS	<u>108,550</u>	<u>113,836</u>	<u>120,618</u>	<u>102,318</u>
TOTAL ASSETS LESS				
CURRENT LIABILITIES	<u>131,362</u>	<u>147,259</u>	<u>152,246</u>	<u>137,262</u>
NON-CURRENT				
LIABILITIES				
Lease liabilities	9,127	8,190	9,394	11,739
Deferred tax liabilities	<u>129</u>	<u>190</u>	<u>250</u>	<u>168</u>
Total non-current liabilities	<u>9,256</u>	<u>8,380</u>	<u>9,644</u>	<u>11,907</u>
Net assets	<u><u>122,106</u></u>	<u><u>138,879</u></u>	<u><u>142,602</u></u>	<u><u>125,355</u></u>
EQUITY				
Equity attributable to				
owners of the parent				
Issued capital	–	–	–	–
Reserves	<u>104,067</u>	<u>116,926</u>	<u>121,126</u>	<u>105,041</u>
	104,067	116,926	121,126	105,041
Non-controlling interests	<u>18,039</u>	<u>21,953</u>	<u>21,476</u>	<u>20,314</u>
Total equity	<u><u>122,106</u></u>	<u><u>138,879</u></u>	<u><u>142,602</u></u>	<u><u>125,355</u></u>

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Goodwill

	As at 31 December			As at
	2016	2017	2018	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Experiential marketing cash-generating unit:				
Activation Events BJ*	7,734	7,734	7,734	7,734
Activation Project 23	–	1,069	1,069	1,069
Digital and brand communication cash-generating unit:				
Activation Digital	<u>1,430</u>	<u>1,430</u>	<u>1,430</u>	<u>1,430</u>
Carrying amount	<u><u>9,164</u></u>	<u><u>10,233</u></u>	<u><u>10,233</u></u>	<u><u>10,233</u></u>

* Prior to the acquisition, Activation Events BJ was jointly controlled by three individual shareholders including Mr. Lau, Mr. Ng and Mr. So, which are not the same controlling parties of our Group. Hence this is a business combination that fall in scope within HKFRS 3 *Business combination*. Accordingly, this acquisition was accounted for under acquisition method in accordance with HKFRS 3 *Business combination*. Goodwill is measured as the excess of the consideration transferred based on the valuation report prepared by an external valuer (i.e. approximately RMB0.4 million) over the identifiable net assets acquired (i.e. net liabilities of approximately RMB7.3 million) as at the date of acquisition.

The increase in our goodwill from RMB9.2 million as at 31 December 2016 to RMB10.2 million as at 31 December 2017 was due to the acquisition of Activation Project 23 in 2017. The carrying amount remained stable as at 31 December 2018 and 30 June 2019.

Impairment of Goodwill

We determine 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 us 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 16 of the Accountants Report in Appendix I to the prospectus.

Experiential marketing cash-generating unit

Based on the results of the goodwill impairment testing, which was conducted by applying a discount rate of 14% as at 31 December 2016, 2017, 2018 and 30 June 2019, the estimated recoverable amounts of experiential marketing cash-generating unit exceeded its carrying amounts by approximately RMB34.0 million, RMB63.9 million, RMB80.6 million and RMB80.6 million, respectively. If discount rates of 30%, 41%, 42% and 42% were applied

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as at 31 December 2016, 2017, 2018 and 30 June 2019, or if there was a decrease of 19%, 9%, 20% and 20% in the revenue growth rates for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019, the recoverable amounts of the experiential marketing cash-generating unit would be approximately equal to its carrying amounts as at 31 December 2016, 2017 and 2018 and 30 June 2019.

Digital and brand communication cash-generating unit

Based on the results of the goodwill impairment testing, which was conducted by applying a discount rate of 14% as at 31 December 2016, 2017, 2018 and 30 June 2019, the estimated recoverable amounts of digital and brand communication cash-generating unit exceeded its carrying amounts by approximately RMB89.3 million, RMB105.2 million, RMB147.2 million and RMB147.2 million, respectively. If discount rates of 139%, 88%, 93% and 93% were applied as at 31 December 2016, 2017, 2018 and 30 June 2019, or if there was a decrease of 39%, 12%, 43% and 43% in the revenue growth rates for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019, the recoverable amounts of the digital and brand communication cash-generating unit would be approximately equal to its carrying amounts as at 31 December 2016, 2017 and 2018 and 30 June 2019.

For the purpose of impairment testing of goodwill, the recoverable amounts of the experiential marketing cash-generating unit and digital and brand communication cash-generating unit have been determined according to the value in use calculation, using cash flow projections based on financial forecasts approved by management covering a five-year period. Assumptions were used in the value in use calculation of the experiential marketing and digital and brand communication cash-generating units for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, respectively. 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. There were no significant changes during the Track Record Period in the expected market development that would affect the determination of the growth rate, so the same growth rate was adopted in the goodwill impairment model.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units. There were no significant changes during the Track Record Period in the underlying internal and external factors that would affect the determination of the discount rate, so the same discount rate was adopted in the goodwill impairment model.

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The values assigned to the key assumptions on market development and discount rates of the experiential marketing cash-generating unit and digital and brand communication cash-generating unit are consistent with external information sources. Our Directors are of the view that the estimated recoverable amounts of experiential marketing cash-generating unit and digital and brand communication cash-generating unit exceeded their carrying amounts. A reasonably possible change in key assumptions will not cause the carrying amounts of the cash-generating units to exceed their recoverable amount.

Investment in associates

Stufish Asia is considered as a material associate of our Group. Stufish Asia's major business includes the production of the live stunt show ELĒKRŌN, which was launched in January 2019. Our Group invested 49% interest in Stufish Asia in February 2017 and transferred 7.35% interest in Stufish Asia to Mr. Shaw and Ms. Cheng in November 2018. As a result, our Group's share of net assets of Stufish Asia was RMB7.7 million, 5.9 million and RMB5.9 million as at 31 December 2017 and 2018 and 30 June 2019. Please refer to the section headed "Business – Our Entertainment IP Development" for further details regarding our business involvement in Stufish Asia and policy on investing in entertainment projects.

Stufish Asia was in its start-up phase of operation in 2017 and 2018. Based on the profit forecast prepared by management, the recoverable amount of Stufish Asia is higher than the carrying amount. As Stufish Asia starts to generate profit during 6M2019, the management of our Group considered there was no impairment as at 31 December 2017, 31 December 2018 and 30 June 2019.

Stufish Asia granted its shares to management (i.e. Mr. Shaw and Ms. Cheng) which was treated as a share-based payment transaction of Stufish Asia as it has granted an award over its equity to the employees (the directors) in exchange for their services to the associate. According to the general recognition principles of HKFRS 2 *Share-based Payment*, equity-settled share-based payment transactions are measured at the fair value of the equity instruments at grant date and recorded the related share-based payment expenses in Stufish Asia.

On Activation Group level, the dilution of our interest in Stufish Asia as a result of such granting Stufish Asia shares was treated as a deemed disposal with loss of approximately RMB433,000 recognised in the profit or loss.

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Investments in entertainment projects

During the Track Record Period, our Group entered into certain investment agreements with external third parties to collaborate on the production and commercialisation of certain theatre circus shows, an online reality show and an online series drama, which entitle our Group to, among others, the rights to recoup our investment amounts and to share net profit or loss of the respective entertainment projects attributable to our Group, as appropriate, in accordance with the terms of the respective investment agreements. Some of the projects include 《Soho》, 《超次元偶像》 and 《出線了, 初戀》. Our Group measured, at initial recognition, the cost of these investments based on the cash consideration for these investments. For further details, please refer to note 19 of the Accountants Report in Appendix I to the prospectus.

The movements in investments in entertainment projects are as follows:

	Total <i>RMB'000</i>
At 1 January 2017	–
Addition	7,051
Net loss from fair value change	(4,093)
	–
At 31 December 2017	2,958
At 1 January 2018	2,958
Addition	5,181
Net gain from fair value change	288
Settlement	(1,227)
	–
At 31 December 2018	7,200
At 1 January 2019	7,200
Net gain from fair value change	70
Settlement	(2,646)
	–
At 30 June 2019	4,624

In relation to the valuation of our Group's level 3 financial instruments which are investments in entertainment projects (the “**Investment Projects**”), our Directors carefully considered, among others, the following factors: (i) the expected net proceeds receivable from the Investment Projects attributable to our Group; and (ii) the discount rates applied for the Investment Projects.

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In addition, the Sole Sponsor had (i) discussed with our Directors and the reporting accountants of our Company to understand the background and details of the Investment Projects and (ii) conducted an interview with the valuer who prepared the valuation reports in relation to the Investment Projects, to understand, among others, the scope of work undertaken by the valuer, the coverage of the valuation reports, the information and documents considered and reviewed by the valuer when preparing the valuation reports, the methodology used in relation to the valuation of the Investments Projects, the key issues and concerns of the valuer on each Investment Project, the business risks of the target in each Investment Project and whether there is any limitation in performing the valuation of each Investment Project.

The reporting accountants of our Company have also (i) assessed the model and assumptions used in the valuation; and (ii) evaluated management's assessment of observable data/information and other relevant factors and conditions that occurred after the initial recognition, that have an impact on the estimated future cash flows attributable to our Group in accordance with terms of the relevant agreements.

Based on the above considerations and views of the Sole Sponsor and the reporting accountants of our Company, our Directors are of the view that the valuation of our Group's level 3 financial instruments are fair and reasonable and the financial statements of our Group are properly prepared. Details of the fair value measurement of our level 3 financial instruments, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of unobservable inputs to fair value of level 3 measurements are disclosed in Note 35 of the Accountants' Report in Appendix I to this prospectus.

Right-of-use assets

The right-of-use assets represent our Group's rights to use our underlying leased premises over the lease terms, which are stated at cost less accumulated depreciation, and adjusted for any remeasurement of the lease liabilities. Our right-of-use assets as at 31 December 2016, 2017 and 2018 and 30 June 2019 were RMB9.9 million, RMB10.7 million, RMB10.1 million and RMB14.6 million, respectively. For further details, please refer to Note 15 of the Accountants Report in Appendix I to the prospectus.

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Trade receivables

Our balance of trade receivables represented outstanding amount due from our clients for the purchase of services we provided in the ordinary course of business. The table below sets out the breakdown of our trade receivables as at the respective dates indicated:

	As at 31 December			As at
	2016	2017	2018	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Billed receivables	51,048	65,192	113,224	93,688
Impairment	(419)	(1,113)	(3,618)	(4,385)
	<u>50,629</u>	<u>64,079</u>	<u>109,606</u>	<u>89,303</u>
Unbilled receivables ^(Note)	53,306	125,313	149,041	118,814
	<u><u>103,935</u></u>	<u><u>189,392</u></u>	<u><u>258,647</u></u>	<u><u>208,117</u></u>

Note: Unbilled receivables represent the services we had already rendered to our clients but invoices had yet to be issued because it takes time for internal approval before issuing invoices for automobile projects, as we may only issue our invoice with the clients' consent after they have completed their internal approval process.

Our trade receivables increased by 82.3% from RMB103.9 million as at 31 December 2016 to RMB189.4 million as at 31 December 2017, then further increased by 36.5% from RMB189.4 million as at 31 December 2017 to RMB258.6 million as at 31 December 2018 and decreased by 19.5% from RMB258.6 million as at 31 December 2018 to RMB208.1 million as at 30 June 2019.

Overall speaking, the fluctuation was mainly due to (i) the increase in our revenue; and (ii) the different settlement practices of different clients. The fluctuation during FY2016 to FY2017 was mainly due to we have taken up more projects in automobile industry. In automobile projects, we may only issue our invoice with the clients' consent after they have completed their internal payment approval process and we held a relatively large number of such projects in FY2017 and FY2018. The fluctuation in 6M2019 is mainly driven by our seasonality, according to our seasonality, we generated more revenue in the month of June, November and December and we might not be able to issue bills and receive payments in the respective period.

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The table below sets out the proportion of our unbilled receivables contributed by automobile projects as at the respective dates indicated:

	As at 31 December			As at
	2016	2017	2018	30 June
	%	%	%	2019
Proportion of unbilled receivables contributed by automobile projects	69.9	77.3	55.9	12.7

The following table sets forth the aging analysis of the billed receivables after impairment, based on invoice date or equivalent and net of loss allowance, as at the reporting dates as indicated below:

	As at 31 December			As at
	2016	2017	2018	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2019
Within 1 month	28,051	24,036	69,760	30,994
1 to 3 months	12,283	35,164	22,695	40,407
Over 3 months	10,295	4,879	17,151	17,902
	<u>50,629</u>	<u>64,079</u>	<u>109,606</u>	<u>89,303</u>

The following table sets forth the aging analysis of the billed receivables after impairment that were not individually nor collectively considered to be impaired, as at the reporting dates as indicated below:

	As at 31 December			As at
	2016	2017	2018	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2019
Neither past due nor impaired/current	35,150	54,419	98,169	75,733
Less than 1 month past due	5,195	4,517	2,611	3,720
1 to 3 months past due	4,639	2,070	2,821	8,430
Over 3 months past due	5,645	3,073	6,005	1,420
	<u>50,629</u>	<u>64,079</u>	<u>109,606</u>	<u>89,303</u>

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Billed receivables that were neither past due nor impaired/current related to a large number of diversified customers for whom there were no recent history of default as well as unbilled amounts.

Billed receivables that are neither past due nor impaired/current accounted for 69.4%, 84.9%, 89.6% and 84.8% of our total trade receivables as at 31 December 2016, 2017 and 2018, and 30 June 2019, respectively. Trade receivables that were past due but not impaired accounted for 30.6%, 15.1%, 10.4% and 15.2% of our total trade receivables as at 31 December 2016, 2017, 2018 and 30 June 2019 respectively. Such past due but not impaired trade receivables mainly related to some clients that have good credit history with our Group. Based on past experience, the Directors consider that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

The table below sets out our average billed and unbilled receivables turnover days during the Track Record Period as indicated below:

	FY2016	FY2017	FY2018	6M2019
Average billed receivables (RMB'000)	38,264	57,354	86,843	99,455
Billed receivables turnover days (Note 1)	39	43	46	67
Average unbilled receivables (RMB'000)	51,774	89,310	137,177	133,928
Unbilled receivables turnover days (Note 2)	52	66	73	90
Average total billed and unbilled receivables (RMB'000)	90,038	146,664	224,020	233,382
Total billed and unbilled receivables turnover days (Note 3)	91	109	119	156

Notes:

1. Billed receivables turnover days is calculated based on the average of the beginning and ending balance of billed receivables after impairment divided by revenue during the year/period, then multiplied by the number of days of the year/period (i.e. 365 or 366 days for a full year or 183 days for the six months ended 30 June 2019).
2. Unbilled receivables turnover days is calculated based on the average of the beginning and ending balance of unbilled receivables divided by revenue during the year/period, then multiplied by the number of days of the year/period (i.e. 365 or 366 days for a full year or 183 days for the six months ended 30 June 2019).
3. Total billed and unbilled receivables turnover days is calculated based on the average of the beginning and ending balance of total billed and unbilled receivables divided by revenue during the year/period, then multiplied by the number of days of the year/period (i.e. 365 or 366 days for a full year or 183 days for the six months ended 30 June 2019).

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We generally grant a credit period of 60 to 90 days from the date of invoice to our clients during the Track Record Period. Our average billed receivable turnover days for FY2016, FY2017, FY2018 and 6M2019 were 39, 43, 46 and 67, respectively. The average billed receivable turnover days relatively stable during FY2016 to FY2018. The increase in 6M2019 is mainly due to seasonality effect resulting in slower settlement. Our average unbilled receivables turnover days for FY2016, FY2017, FY2018 and 6M2019 were 52, 66, 73 and 90 days, respectively. The fluctuation of our average unbilled receivables turnover days was due to the fact that it takes time for internal approval before issuing invoices for automobile projects, as we may only issue our invoice with the clients' consent after they have completed their internal approval process.

As at the Latest Practicable Date, approximately RMB114.6 million (or 96.4%) of the unbilled receivables as at 30 June 2019 was subsequently billed and approximately RMB73.4 million (or 82.2%) of the billed receivables and approximately RMB101.2 million (or 85.2%) of the unbilled receivables as at 30 June 2019 was subsequently settled.

Prepayments, deposits and other receivables

Set out below is the breakdown of our prepayments, deposits and other receivables as at the reporting dates as indicated below:

	As at 31 December			As at
	2016	2017	2018	30 June 2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments	16,839	16,364	13,418	27,032
Deposits	1,169	1,977	2,095	2,976
Other receivables	9,655	8,844	5,312	5,248
Deferred IPO expenses	—	—	—	1,847
	27,663	27,185	20,825	37,103
Impairment	—	—	(1,300)	(1,300)
	27,663	27,185	19,525	35,803

Our prepayments, deposits and other receivables primarily consists of (i) advances to suppliers, which were primarily prepayments made to suppliers for the purchase of materials, and venue deposits; (ii) staff petty cash, which was principally cash advances made to employees for their business trips; and (iii) advances to our project partner for entertainment projects.

Our prepayments, deposits and other receivables decreased by 1.8% from RMB27.7 million as at 31 December 2016 to RMB27.2 million as at 31 December 2017, which mainly due to net decrease in our prepayments under several projects in the amount of RMB0.5 million and further decreased by 28.3% from RMB27.2 million as at 31 December 2017 to RMB19.5 million as at 31 December 2018 which was mainly due to settlement of other receivables in the amount of RMB3.5 million and net decrease in our prepayments under certain projects in the amount of RMB4.1 million.

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Our prepayments, deposits and other receivables increased by 83.6% from RMB19.5 million as at 31 December 2018 to RMB35.8 million as at 30 June 2019, which was mainly due to the increase in our prepayments under several projects, as we normally will go into our peak season in the second half year and such prepayment is ahead of such increase.

The advances to our project partner of RMB4,900,000 represented the gross carrying amount of advances to our project partner which was made in December 2016. The advances were used to supplement the short-term cash flow needs of the project partner for investing in the production of certain online dramas.

The impairment loss of RMB1,300,000 was related to the provision of impairment loss on advances to our project partner of approximately RMB4,900,000 as included in other receivables. After the adoption of HKFRS 9 in 1 January 2018, our Group had to apply a general approach to provide for expected credit loss for financial assets including other receivables. Our Group assessed the impairment amount with reference to historical loss rate and adjusted with current market conditions and forecasts of future economic conditions, as appropriate.

The advances to our project partner mainly related to the advance payments for the production of certain online dramas. The gross carrying amount of the advances amounted to approximately RMB4,900,000.

Due from a shareholder

We had the amount due from a shareholder, Mr. Ng, of RMB11.5 million as at 31 December 2016 and increased to RMB17.4 million as at 31 December 2017. The amount had been fully settled as at 31 December 2018.

Trade payables

In general, our trade payables are normally settled on terms ranging from 60-90 days from the date of invoice. The following table sets forth the aging analysis of our trade payables payable based on the invoice date as at the reporting dates as indicated below:

	As at 31 December			As at
	2016	2017	2018	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	35,097	88,418	144,992	74,554
1 to 3 months	19,137	15,552	13,035	48,227
More than 3 months	5,376	10,691	5,046	27,068
	59,610	114,661	163,073	149,849

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Our trade payables increased by 92.4% from RMB59.6 million as at 31 December 2016 to RMB114.7 million as at 31 December 2017, and increased by a further 42.2% from RMB114.7 million as at 31 December 2017 to RMB163.1 million as at 31 December 2018 and increased by 8.2% from RMB163.1 million as at 31 December 2018 to RMB149.8 million as at 30 June 2019. The fluctuation was mainly dependant on when our Group receives payment from our clients for the respective project. Other factors may also include the urgency of the settlement, commercial negotiation between the relevant suppliers, and business relationship with the relevant suppliers. Based on the general trend observed during the Track Record Period, there was an increase in trade payables between 31 December 2016 and 2018 and a slight decrease on 30 June 2019 which was largely in line with the trend observed in our billed receivables during the same period. This has indicated our effective cash management through our ability to maintain our cash outflow by paying our suppliers at our discretion after we have received sufficient cash inflow from our operating activities.

The table below sets out our average trade payable turnover days during the Track Record Period as indicated below:

	As at 31 December			As at
	2016	2017	2018	30 June
				2019
Average trade payables (RMB'000)	47,352	87,136	138,867	156,461
Trade payables turnover days ^(Note)	<u>76</u>	<u>93</u>	<u>99</u>	<u>154</u>

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of sales during the year/period, then multiplied by the number of days of the year/period (i.e. 365 or 366 days for a full year or 183 days for the six months).

The reason for the fluctuation in trade payables turnover days was largely the same as the reasons for the fluctuation of the aging analysis of trade payables. The increase in trade payable turnover days from 76 days to 93 days for FY2016 and FY2017 is mainly due to we have undertook more automobile projects in FY2017 compared with FY2016. Automobile projects generally requires our clients to undergo their internal approval procedures before we can issue our invoice, thus delaying the time we received payment from our clients, in turn delay our payment to our suppliers in the respective projects. The trade payable days remained relatively stable for FY2017 and FY2018. The trade payable days further increased to 154 days in 6M2019 mainly due to seasonality effect and our pattern of settlement, which is to pay our suppliers when we have received payments from our clients.

As at the Latest Practicable Date, RMB96.4 million (or 64.4%) of the trade payables as at 30 June 2019 was subsequently settled.

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Other payables and accruals

The following table sets forth a breakdown of our other payables and accruals as at the reporting dates as indicated below:

	As at 31 December			As at
	2016	2017	2018	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables and accruals	18,415	19,466	29,154	18,349
Contract liabilities	356	15,950	14,076	9,858
Dividend payable	15,030	26,772	12,680	52,680
	33,801	62,188	55,910	80,887

Note: Other payables are non-interest-bearing and have an average term of three months.

Breakdown of other payables and accruals include various miscellaneous items such as accrued staff costs and accrued IPO expenses. Contract liabilities include (i) short-term advances received to deliver events management services; and (ii) unsatisfied performance obligation, from the completion of the relevant events or activities. The increase in contract liabilities during FY2017 is mainly due to our drama script for LaLiga Club 《出線了，初戀》. Dividend payable represents dividend declared but not paid as at relevant year/period end date. Our Group has declared dividends in the amount of RMB18.6 million, RMB10.0 million, RMB33.5 million and RMB33.5 million in FY2016, FY2017, FY2018 and 6M2019, respectively. Our Group settled the dividend payable in cash of approximately RMB7.2 million, RMB258,000 and RMB54.1 million in FY2016, FY2017 and FY2018, respectively. Our Group plans to settle the balance of such outstanding dividend payable of approximately RMB9.9 million, which is payable by a subsidiary of our Company to some of our existing Shareholders, before the Listing, and approximately RMB5.6 million, which is payable by a subsidiary of our Company to its minority shareholder, in the first quarter of FY2020.

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NET CURRENT ASSETS

The following table sets forth our current assets and current liabilities of the combined statements of financial position as at the respective dates indicated:

	As at 31 December			As at	As at
	2016	2017	2018	30 June	31 October
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CURRENT ASSETS					
Investments in					
entertainment projects	–	2,700	6,917	4,271	3,434
Trade receivables	103,935	189,392	258,647	208,117	207,919
Prepayments, deposits and					
other receivables	27,663	27,185	19,525	35,803	45,714
Due from a shareholder	11,543	17,429	–	–	–
Cash and cash equivalents	72,631	70,811	88,397	103,852	92,945
	<u>215,772</u>	<u>307,517</u>	<u>373,486</u>	<u>352,043</u>	<u>350,012</u>
CURRENT LIABILITIES					
Trade payables	59,610	114,661	163,073	149,849	179,433
Other payables and					
accruals	33,801	62,188	55,910	80,887	44,872
Interest-bearing bank and					
other borrowings	2,999	–	19,000	9,000	66,330
Lease liabilities	1,243	3,231	1,651	3,516	3,100
Tax payable	9,569	13,601	13,234	6,473	5,364
	<u>107,222</u>	<u>193,681</u>	<u>252,868</u>	<u>249,725</u>	<u>299,099</u>
NET CURRENT ASSETS	<u><u>108,550</u></u>	<u><u>113,836</u></u>	<u><u>120,618</u></u>	<u><u>102,318</u></u>	<u><u>50,913</u></u>

Our current assets primarily consist of trade receivables, prepayments, deposits and other receivables, and cash and cash equivalents. Our current liabilities mainly consist of trade payables, other payable and accruals, interest-bearing bank borrowings and tax payables.

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Our net current assets increased by RMB5.2 million from RMB108.6 million as at 31 December 2016 to RMB113.8 million as at 31 December 2017. The increase was mainly due to increase in trade receivables of RMB85.5 million partially offset by (i) increase in trade payables of RMB55.1 million; and (ii) increase in other payable and accruals of RMB28.4 million. Our net current assets further increased by RMB6.8 million from RMB113.8 million as at 31 December 2017 to RMB120.6 million as at 31 December 2018. Such increase was mainly due to an increase in trade receivables of RMB69.2 million partially offset by (i) an increase trade payables of RMB48.4 million and (ii) an increase in interest-bearing bank borrowings of RMB19.0 million.

Our net current assets then decreased by RMB18.3 million from RMB120.6 million as at 31 December 2018 to RMB102.3 million as at 30 June 2019. The decrease was primarily due to the decrease in trade receivables of RMB50.5 million partially offset by an increase in cash and cash equivalent of RMB15.5 million and prepayments, deposits and other receivables of RMB16.3 million.

As at 31 October 2019, being the latest practicable date for ascertaining our net current assets position, our net current assets amounted to RMB50.9 million.

WORKING CAPITAL SUFFICIENCY

Taking into account our internal resources, our cash flow from operations, available banking facilities and the net proceeds available to us from the Global Offering, our Directors are of the opinion that we have sufficient working capital for at least the next 12 months following the date of this prospectus.

After due consideration, our Directors does not believe there will be any material changes in the composition and trend of our capital expenditure in the next 12 months barring any material unforeseeable circumstances.

After due consideration and discussions with our Company's management and based on the above and the assumption that there is no material change in the composition and trend of our Group's capital expenditure, the Sole Sponsor has no reason to believe that our Company cannot meet the working capital requirements for the 12 months period from the date of this prospectus.

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INDEBTEDNESS

Our indebtedness comprised of bank and other borrowings, and lease liabilities. The table below sets forth, as of the dates indicated:

	As at 31 December			As at	As at
	2016	2017	2018	30 June	31 October
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2019</i>	<i>2019</i>
Bank borrowings –					
unsecured	2,999	–	19,000	9,000	5,688
secured	–	–	–	–	6,736
Other borrowings –					
secured	–	–	–	–	53,906
Lease liabilities:					
Current	1,243	3,231	1,651	3,516	3,100
Non-current	9,127	8,190	9,394	11,739	11,335
	<u>10,370</u>	<u>11,421</u>	<u>11,045</u>	<u>15,255</u>	<u>14,435</u>
Total indebtedness	<u><u>13,369</u></u>	<u><u>11,421</u></u>	<u><u>30,045</u></u>	<u><u>24,255</u></u>	<u><u>80,765</u></u>

As at 31 October 2019, being the latest practicable date for the purpose of this indebtedness statement, our total indebtedness amounted to approximately RMB80.8 million. The other borrowings – secured was in relation to the one-off loan agreement dated 2 September 2019 with an Independent Third Party for a loan of HK\$60 million for the purpose of financing the settlement of part of the consideration payable by us pursuant to our acquisition of approximately 9.14% equity interest in Activation Group from Beijing Sequoia in July 2019.

During the Track Record Period, we utilised our bank and other borrowings mainly to fund our working capital and capital expenditures to support our operations. Our bank and other borrowings bear interest at rates ranging from 4.5% to 4.8%, nil, 4.8%, 5.0% and 4.8% to 15.0% per annum, respectively, as at 31 December 2016, 31 December 2017, 31 December 2018, 30 June 2019 and 31 October 2019.

As at 31 October 2019, being the latest practicable date for the purpose of this indebtedness statement, our Group had aggregate unsecured banking facilities of approximately RMB19.0 million, of which approximately RMB13.3 million were unutilised, and a secured banking facility of approximately RMB6.7 million, which was fully utilised.

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the bank borrowings of our Group containing a repayment on demand clause have been classified in total as current liabilities. For the purpose of the above analysis, the bank borrowings are analysed into bank borrowings repayable within one year or on demand.

FINANCIAL INFORMATION

As at 31 December 2016, 2017 and 2018 and 30 June 2019, our Group had aggregate banking facilities amounting to approximately RMB42.2 million, RMB6.7 million, RMB42.0 million and RMB9 million, respectively, of which an aggregate amount of RMB3 million, nil, RMB19 million and RMB9 million was utilised as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively.

As confirmed by our Directors, we had not defaulted or delayed any payment, and/or breached any of the finance covenants of our banking facilities during the Track Record Period and up to the Latest Practicable Date. For details of our borrowings, please see Note 26 of the Accountants' Report in Appendix I to this prospectus. Our Directors confirm that there has not been any material change in our indebtedness and contingent liabilities since 30 June 2019.

Our Directors also confirm that, as at the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach any covenants during the Track Record Period and up to the Latest Practicable Date.

Contingent liabilities

As at 31 October 2019, being the latest practicable date for the purpose of the indebtedness statement, we did not have any contingent liabilities or guarantees.

Save for the share mortgage provided by Activation Enterprise on the entire issued shares of Activation International for the loan agreement entered between our Group and an Independent Third Party on 2 September 2019 as referred to in the section headed "Relationship with our Controlling Shareholders – Financial Independence" or as otherwise disclosed herein, our Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, debentures, mortgages, charges, finance lease or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

LIQUIDITY AND CAPITAL RESOURCES

Our principal cash requirement is mainly for our working capital needs. During the Track Record Period, we principally financed our working capital and other liquidity requirements through a combination of cash generated from operations and bank borrowings. In the future, we expect to continue to rely on cash flows from operation, the net proceeds from the Global Offering and other debt to fund our working capital needs and finance part of our business expansion.

Our capital structure represents equity attributable to Shareholders, comprising issued share capital and reserves including retained profits. Our Directors shall review our capital structure regularly in order to balance our overall capital structure through new share issues and fund raising through new loan borrowings with reference to the capital costs and the associated risks.

FINANCIAL INFORMATION

Cash flows

The following table sets forth a summary of our cash flows during the Track Record Period:

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2018</i>	<i>2019</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating cash flow before changes in working capital	<u>55,782</u>	<u>59,875</u>	<u>72,905</u>	<u>29,232</u>	<u>36,355</u>
Net cash flows from/ (used in) operating activities	32,002	24,440	58,397	(9,469)	24,971
Net cash flows from/ (used in) investing activities	(1,390)	(14,111)	(4,891)	(5,374)	2,617
Net cash flows from/(used in) financing activities	<u>(5,998)</u>	<u>(6,488)</u>	<u>(38,738)</u>	<u>8,314</u>	<u>(11,972)</u>
Net increase/(decrease) in cash and cash equivalents	24,614	3,841	14,768	(6,529)	15,616
Cash and cash equivalents at beginning of year/period	46,451	72,631	70,811	70,811	88,397
Effect of foreign exchange rate changes, net	<u>1,566</u>	<u>(5,661)</u>	<u>2,818</u>	<u>300</u>	<u>(161)</u>
Cash and cash equivalents at end of year/period	<u>72,631</u>	<u>70,811</u>	<u>88,397</u>	<u>64,582</u>	<u>103,852</u>

Net cash generated from operating activities

Cash flows from operating activities reflects profit/(loss) before taxation for the year mainly adjusted for (i) depreciation, finance costs, interest income, share of profits and losses of associates, and loss on disposal of investment in an associate, which lead to the operating cash flow before changes in working capital; (ii) effects of cash flows arising from changes in working capital, primarily include increase or decrease in trade receivables and trade payables, prepayment, deposit and other receivables, increase in other payables and accruals, which result in cash used in/generated from operations.

FINANCIAL INFORMATION

For 6M2019, our net cash generated from operating activities of RMB25.0 million was primarily attributable to cash generated from operations of RMB41.6 million, offset by income tax paid of RMB16.6 million. Cash generated from operations in 6M2019 can be reconciled from our profit before tax of RMB34.0 million primarily by positive adjustment of (i) depreciation of right of use assets of RMB1.1 million; and (ii) decrease in trade receivables of RMB49.8 million, partially offset primarily by negative adjustment of (iii) increase in prepayments, deposits and other receivables of RMB16.3 million; (iv) decrease in trade payables of RMB13.2 million; and (v) decrease in other payables and accruals of RMB15.0 million.

For FY2018, our net cash generated from operating activities of RMB58.4 million was primarily attributable to cash generated from operations of RMB80.9 million, offset by income tax paid of RMB22.5 million. Cash generated from operations in FY2018 can be reconciled from our profit before tax of RMB65.3 million primarily by positive adjustment of (i) increase in trade payables of RMB48.4 million; (ii) decrease in amounts due from a shareholder of RMB17.4 million; and (iii) increase in other payables and accruals of RMB7.8 million, partially offset primarily by negative adjustment of (iv) increase in trade receivables of RMB71.8 million, which was in line with the increase in our revenue.

For FY2017, our net cash generated from operating activities of RMB24.4 million was primarily attributable to cash generated from operations of RMB38.4 million, offset by income tax paid of RMB14.0 million. Cash generated from operations in FY2017 can be reconciled from our profit before tax of RMB42.5 million primarily by positive adjustment of (i) increase in trade payables of RMB48.6 million; (ii) increase in other payables and accruals of RMB16.6 million, partially offset primarily by negative adjustment of (iii) increase in trade receivables of RMB83.2 million, which was in line with the increase in our revenue.

For 2016, our net cash generated from operating activities of RMB32.0 million was primarily attributable to cash generated from operations of RMB52.3 million, offset by income tax paid of RMB20.3 million. Cash generated from operations in FY2017 can be reconciled from our profit before tax of RMB52.7 million primarily by positive adjustment of (i) increase in trade payables of RMB24.5 million; (ii) increase in other payables and accruals of RMB11.1 million, partially offset primarily by negative adjustment of (iii) increase in trade receivables of RMB27.6 million; and (iv) increase in amounts due from a shareholder of RMB18.9 million.

Net cash (used in)/generated from investing activities

Cash flows (used in)/generated from investing activities mainly relate to payments for (investment in)/settlement of entertainment projects.

For 6M2019, we had net cash from investing activities of RMB2.6 million, which was primarily attributable to settlement of entertainment projects of RMB2.6 million.

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For FY2018, we had net cash used in investing activities of RMB4.9 million, which was primarily attributable to investment in entertainment projects of RMB4.0 million and purchase of items of property, plant and equipment and right of use assets of RMB1.1 million.

For FY2017, we had net cash used in investing activities of RMB14.1 million, which was primarily attributable to the set up of Stufish Asia in Hong Kong of RMB8.9 million, and investment in entertainment projects of RMB7.1 million.

For FY2016, we had net cash used in investing activities of RMB1.4 million, which was primarily attributable to the purchase of items of property, plant and equipment and right of use assets of RMB1.4 million.

Net cash used in financing activities

Cash flows used in financing activities includes bank loans and repayment of lease liabilities.

For 6M2019, we had net cash used in financing activities of RMB12.0 million, which was primarily attributable to repayments of bank loans of RMB19.0 million, partially offset by new bank loans of RMB9.0 million.

For FY2018, we had net cash used in financing activities of RMB38.7 million, which was primarily attributable to dividend paid of RMB54.1 million and repayment of bank loans of RMB20.0 million, partially offset primarily by the new bank loans of RMB39.0 million.

For FY2017, we had net cash used in financing activities of RMB6.5 million, which was primarily attributable to repayment of lease liabilities of RMB3.2 million and repayment of bank loans of RMB3.0 million.

For FY2016, we had net cash used in financing activities of RMB6.0 million, which was primarily attributable to dividend paid of RMB7.2 million and repayment of lease liabilities of RMB1.3 million, partially offset primarily by the new bank loans of RMB3.0 million.

CAPITAL EXPENDITURE

Throughout the Track Record Period, we had made capital expenditures, typically in connection with additions to property, plant and equipment and intangible assets. These capital expenditures amounted to RMB1.4 million, RMB0.6 million, RMB1.1 million and RMB0.5 million for FY2016, FY2017, FY2018 and 6M2019, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

FINANCIAL INFORMATION

SUMMARY OF FINANCIAL RATIOS

The following table sets forth a summary of our key financial ratios for each of FY2016, FY2017, FY2018 and 6M2019 and should be read in conjunction with the Accountants' Report included as Appendix I to this prospectus:

	As at or for the year ended			As at or for the
	31 December			six month
	2016	2017	2018	period ended 30 June 2019
Gross profit margin ¹ (%)	37.4	30.3	25.2	32.1
Current ratio ² (<i>times</i>)	2.0	1.6	1.5	1.4
Quick ratio ³ (<i>times</i>)	2.0	1.6	1.5	1.4
Return on assets ⁴ (%)	18.9	8.8	11.7	N/A
Return on equity ⁵ (%)	34.0	19.5	30.9	N/A
Gearing ratio ⁶ (%)	10.9	8.2	21.1	19.3
Interest coverage ⁷	54.6	63.6	68.4	59.9
Net profit margin ⁸ (%)	10.6	5.2	6.4	8.4
Adjusted net profit margin (non-HKFRS measures) ⁹ (%)	10.6	5.2	6.4	10.4

Our Group has assessed the effects of adoption of HKFRS 16 on our financial statements and considered that the adoption did not have a significant impact on our financial positions, results of operations and key financial ratios.

Notes:

- (1) Gross profit margin is calculated based on our gross profit of the relevant years/period divided by our revenue of the corresponding year/period and multiplied by 100%.
- (2) Current ratio is calculated based on our total current assets as at the end of the relevant year/period divided by our total current liabilities as at the end of the corresponding year/period.
- (3) Quick ratio is calculated based on our total current assets minus inventories as at the end of the relevant year/period divided by our total current liabilities as at the end of the corresponding year/period.
- (4) Return on assets is calculated based on our net profit attributable to our equity holders for the relevant year divided by our average total assets as at the beginning and the end of the corresponding year/period and multiplied by 100%.
- (5) Return on equity is calculated based on our net profit attributable to our equity holders for the relevant year divided by our average total equity attributable to our equity holders as at the beginning and the end of the corresponding year/period and multiplied by 100%.
- (6) Gearing ratio is calculated based on our total debt (being the total of bank borrowings and lease liabilities) as at the end of the relevant year/period divided by our total equity attributable to our equity holders as at the end of the corresponding year/period and multiplied by 100%.
- (7) Interest coverage is calculated by as profit before finance costs and income tax divided by finance costs of the respective reporting year/period.
- (8) Net profit margin is calculated based on our profit for the relevant year/period divided by our revenue of the corresponding year/period and multiplied by 100%.
- (9) Adjusted net profit margin is calculated based on our adjusted net profit for the relevant year/period divided by our revenue of the corresponding year/period and multiplied by 100%. We define adjusted profit as profit for the year excluding the listing expenses. The term of adjusted profit is not defined under HKFRS. Our adjusted profit is solely for reference and does not include the abovementioned item that impact our profit or loss for the relevant years/period.

FINANCIAL INFORMATION

Gross profit margin

Please refer to the paragraph headed “Financial Information - Review of Historical Operating Results” in this prospectus for the reasons and analysis in our gross profit margin.

Current and Quick ratio

The current and quick ratios of our Group were 2.0, 1.6, 1.5, and 1.4 as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, respectively. Our current and quick ratios decreased from 2.0 as at 31 December 2016 to 1.6 as at 31 December 2017 because of the increase in trade payables and other payable and accruals attributable to (i) increase in trade payables driven by our increase in revenue and our IP development has started to launch Le Tour de France and LaLiga Club events; and (ii) increase in other payables and accruals due to dividend payable and increase in contract liabilities.

Our current and quick ratios remained relatively stable as at 31 December 2018 and 30 June 2019, respectively.

Return on assets

The return on assets decreased from approximately 18.9% for FY2016 to approximately 8.8% for FY2017, which was mainly due to (i) the decrease in net profit of RMB13.0 million for FY2017; and (ii) increase in our current asset generated from our operations.

The return on assets increased from approximately 8.8% for FY2017 to approximately 11.7% for FY2018, which was mainly due to the increase in our net profit attributable to equity holders from RMB25.5 million for FY2017 to RMB43.5 million for FY2018 mainly driven by our revenue growth of RMB191.8 million during the year.

Return on equity

The return on equity decreased from approximately 34.0% for FY2016 to approximately 19.5% for FY2017 which was mainly due to the decrease in net profit for FY2017 due to the combined effect of (i) RMB4.1 million fair value losses in investment in the entertainment projects in FY2017; and (ii) the expenses of RMB7.6 million of equity-settled share-based payment in FY2017.

The return of equity increased from approximately 19.5% for FY2017 to 30.9% for FY2018 mainly due to the increase in net profit attributable to equity holders from RMB25.5 million to RMB43.5 million mainly driven by the revenue growth of RMB191.8 million during the year, while total equity remains relatively stable for FY2017 and FY2018, respectively.

FINANCIAL INFORMATION

Gearing ratio

The gearing ratio of our Group were 10.9%, 8.2%, 21.1%, and 19.3% as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, respectively. The gearing ratio remained stable as at 31 December 2016 and 31 December 2017, respectively. The increase in gearing ratio as at 31 December 2018 and as at 30 June 2019 was mainly attributable to the new bank borrowings obtained during the relevant period.

Interest coverage

The interest coverage was 54.6, 63.6, 68.4, 59.9 for FY2016, FY2017, FY2018, and 6M2019, respectively. It has remained relatively stable during the Track Record Period.

Net profit margin and Adjusted net profit margin (non-HKFRS measures)

Our Group recorded net profit margin during the Track Record Period of 10.6%, 5.2%, 6.4%, and 8.4%. Our net profit margin decreased for the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily due to the significant decline in our net profits for the year ended 31 December 2017.

Please refer to the paragraph headed “Financial Information – Review of Historical Operating Results” in this prospectus for the reasons and analysis in our adjusted net profit. After the adjustment on Listing expenses in 6M2019, our adjusted net profit margin for 6M2019 was 10.4%.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISKS

Our Group’s activities expose us to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk and liquidity risk. Our Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Group’s financial performance.

Foreign currency risk

We operate in the PRC, Hong Kong and Singapore with our transactions mainly denominated and settled in RMB and partly by HKD and USD. Our financial statements set out in the section headed “Appendix I – Accountants’ Report” in this prospectus are presented in RMB, which is our Company’s functional currency. We have transactional currency exposures. These exposures arise from sales in currencies other than the units’ functional currencies. Our management closely monitors foreign currency exchange exposure and will take measures to minimise the currency transaction risk.

FINANCIAL INFORMATION

Interest rate risk

Our exposure to the interest rates risk relates primarily to our bank balances and bank borrowings. We are exposed to cash flow interest rate risk in relation to borrowings issued at variable rates and interest rate risk in relation to borrowings issued at fixed rates. We currently do not have an interest rate hedging policy. However, we closely monitor interest rate exposure and will consider hedging changes in market interest rates should the need arise.

Credit risk

We mainly trade with recognised and creditworthy third parties which are typically premium and luxury brands which are reputable in their respective industries. In addition, we monitor receivable balances on an ongoing basis and our exposure to bad debts is not significant.

The credit risk of our other financial assets, which mainly comprise cash and cash equivalents, and financial assets included in prepayments, deposits and other receivables, arise from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets. Since we trade only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector.

Liquidity risk

Our policy is to maintain sufficient cash and cash equivalents and have available funding through capital contribution and financial support from related parties and bank borrowings.

RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period are summarised in Note 33 to the accountants' report set out in Appendix I to this prospectus. During the Track Record Period, our major transactions with related parties mainly include the followings:

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Related companies:					
Expenses relating to short-term leases	2,071	2,045	2,045	1,023	1,125
Associate:					
Cost of sales	13,722	10,495	–	–	–

FINANCIAL INFORMATION

The short-term leases were in relation to our Shanghai office in 8/F, No. 399A Liu Zhou Road, Xu Hui District, Shanghai, which we rented from Aibosi Weixuan, a company owned by Mr. Ng, our executive Director and Controlling Shareholder. Please refer to the section headed “Business – Properties” for further details on the terms of the leases arrangements.

Regarding the cost of sales, it was in relation to Aide Zhongxin Beijing, which our Group owned 30% equity interest prior to our disposal of it in June 2017. Aide Zhongxin Beijing was grouped with another company as Supplier A. Supplier A was our largest supplier in FY2016 and FY2017. Aide Zhongxin Beijing was subsequently deregistered in September 2018. Please refer to the section headed “Business – Our Suppliers – Five largest suppliers” for more information on our transaction with Aide Zhongxin Beijing.

Our Directors are of the view that the related party transactions were conducted at arm’s length and on normal commercial terms or better, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately RMB44.8 million. Out of the amount of approximately RMB44.8 million, approximately RMB18.8 million is expected to be deducted from equity upon Listing. The remaining amount of approximately RMB26.0 million shall be charged to profit or loss. Of the approximately RMB26.0 million that shall be charged to profit or loss, approximately RMB5.5 million has been charged during the Track Record Period, and approximately RMB20.5 million is expected to be incurred for the remaining six months ending 31 December 2019. Expenses in relation to the Listing are non-recurring in nature.

Our Directors would like to emphasise that the listing expenses stated above are the current estimation for reference purpose and the actual amount to be recognised is subject to adjustments based on audit and the then changes in variables and assumptions. Prospective investors should note that the financial performance of our Group for the period ending 30 June 2019 would be materially and adversely affected by the listing expenses mentioned above.

DISTRIBUTABLE RESERVES

Our Company had no distributable reserve as at 30 June 2019.

DIVIDENDS AND DIVIDEND POLICY

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

FINANCIAL INFORMATION

The dividends declared by a subsidiary of our Company to its then shareholders during the Track Record Period and the six months ended 30 June 2018 were as follows:

	Years ended 31 December			Six months ended	
				30 June	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Dividends	<u>18,615</u>	<u>10,063</u>	<u>33,544</u>	<u>–</u>	<u>33,544</u>

Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Company considers stable and sustainable returns to our Shareholders to be our goal. In deciding whether to propose a dividend and in determining the dividend amount, our Directors will take into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to (i) our Articles, which provide that dividends may be declared by us at a general meeting, but no dividend shall be declared in excess of the amount recommended by the Board, and (ii) the applicable laws of the Cayman Islands, which provide that dividends may be paid out of the profits of a company or out of sums standing to the credit of its share premium account and that no dividend may be paid out of the share premium account unless, immediately following the date on which the dividend is paid, our Company is able to pay its debts as they fall due in the ordinary course of business. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. We currently do not have a fixed dividend payout ratio. The dividend policy will be reviewed by our Board from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

Please refer to the section headed "Appendix II – Unaudited Pro Forma Financial Information" for details.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Our business model has remained unchanged and our revenue and cost structure has remained stable since 30 June 2019.

FINANCIAL INFORMATION

Our Group entered into a loan agreement with an Independent Third Party on 2 September 2019 for a loan of HK\$60 million for the purpose of financing the settlement of part of the consideration payable by us pursuant to our acquisition of approximately 9.14% equity interest in Activation Group from Beijing Sequoia, which we entered into an equity transfer agreement in July 2019. Please refer to the section headed “History, Reorganisation and Corporate Structure” for further details of the equity transfer arrangement with Beijing Sequoia. The loan bears an interest rate of 15% per annum with a term of 6 months and is secured by the issued shares of Activation International, Shares held by our Controlling Shareholders and guarantee of certain executive Directors. As a result of the loan agreement, our Group estimates that an one-off restructuring expense of approximately RMB2.9 million will be incurred for the four months ended 31 October 2019 and a further RMB1.3 million will be incurred for the two months ending 31 December 2019.

Since July 2019, due to the social unrest and protests in Hong Kong, some of our clients in luxury and premium brands had indicated to our Hong Kong office that they would like to put on hold their upcoming experiential marketing projects originally scheduled to take place in the second half of FY2019 to observe the situation in Hong Kong. Our Hong Kong office contributed approximately 13% and 10% of our total revenue in FY2017 and FY2018, respectively. Our Directors are of the view that the temporary slowdown in business of our Hong Kong office does not amount to a material adverse change to our financial or operating prospects as a whole. It is our strategy to continue focusing and expanding our PRC business in the near future. We remain confident that our Group will be able to implement our business strategies and maximise the return for our Shareholders upon Listing and will continue to observe and monitor our business in Hong Kong.

During the four months ended 31 October 2019, our Group recorded other income and gains of approximately RMB9.8 million, which was mainly derived from (i) a judgment we obtained on 8 August 2019 in favour of our contractual claim against a third party in the amount of approximately RMB8.0 million (inclusive of tax) as compensation in relation to a L’Étape race which was originally scheduled to be held in 2018 but subsequently did not proceed due to the non-performance of such third party; and (ii) the government grants of approximately RMB0.7 million we received during the same period.

On 10 September 2019, our Group disposed of an associated company, Chengrun Huashang, to an Independent Third Party at a cash consideration of RMB1.2 million. It is expected that the financial impact on the disposal of the associated company will not be significant.

Our Directors confirmed that, save as disclosed in this section and for the Listing expenses, from 30 June 2019 up to the date of this prospectus, (i) there had been no material adverse changes in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there was no material adverse change in the trading and financial position or prospects of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Save for the undertaking given by our Company as referred to in the section headed “Relationship with our Controlling Shareholders – Financial Independence”, our Directors confirmed that as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules upon Listing.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

A detailed description of our future plans is set out in the section headed “Business – Our Strategies”.

REASONS FOR LISTING

Our Directors consider that the Listing will benefit our Group in different aspects as discussed below:

- (i) To change the fundraising platform from NEEQ to the Stock Exchange, which will facilitate our use of share-based options to recognise, reward and incentivise employees and business partners**

Shares of Activation Group were listed on NEEQ in April 2016 but such listing was voluntarily withdrawn in January 2018 due to overall strategic development and better management of our Group. As our Group’s business has grown since we were listed on NEEQ in 2016, our Directors believe that the Main Board is a more suitable fundraising platform for our Group’s future strategic development.

Also, the listing of our Shares on the Main Board will enhance the liquidity of the Shares when compared to the limited liquidity of the shares that are privately held during the temporary transfer of listing phase. Hence, the Listing can enlarge and diversify our shareholder base and allow us to employ share-based incentives to recognise, reward and incentivise employees and business partners.

Our Directors consider that rewarding, motivating and retaining members of our senior management team and business partners have always been critical to our success as a leading integrated marketing solutions provider. Therefore, the Listing is considered to be one of the channels through which our employees would be able to share our success and achievement and be committed to the performance and continual success of our Group. We have adopted the Share Option Scheme with the aim to recognise, reward and incentivise the contribution of, among others, our directors, senior management and other staff of our Group to the growth and development of our Group and/or the listing of the Shares on the Main Board.

- (ii) To enhance our corporate profile for client retention and for strategic cooperation with business partners**

By way of Listing, we can elevate our corporate image and status and provide reassurance and confidence to our clients and strategic business partners, which in turn provide a stronger bargaining position when exploring new businesses. In addition, our Directors are of the view that the Listing will facilitate us to entice new clients and business partners, as their confidence will be attached to our reputation, transparent financial condition, standard of internal controls and corporate governance. Upon the Listing, our Directors will be required to maintain a high standard of ongoing regulatory compliance, which is also an opportunity for us to strive for continuous improvement and supervision, increase our competitiveness and ultimately, gain our clients’ trust in us.

FUTURE PLANS AND USE OF PROCEEDS

(iii) To strengthen our financial position and fund our business strategies

We require funds to finance our general working capital needs which are generally obtained from different sources such as bank borrowings and internal resources. Although we were able to successfully expand our business using internally generated funds and bank borrowings during the Track Record Period and had been able to repay bank loans as they fell due in the past, going forward, we still require working capital to maintain our current capacity, as well as extra funding to finance our business strategies for expansion. We believe that it is crucial to maintain a robust liquidity position at all times, particularly in the form of steady and strong level of cash balance, to ensure smooth business operations and be able to devote sufficient resources in the implementation of our business plans. In light of our expansion plan, we will require a much higher working capital to maintain our daily business operations upon the Listing.

(iv) Maintain cash liquidity for operations

According to the financial statements of our Group, we have cash and cash equivalents of approximately RMB103.9 million as at 30 June 2019. Subsequent to the Track Record Period, our Group needs to meet the following specific cash commitment as follows: (i) the repayment of loan and interest in the amount of approximately RMB60.3 million for financing our acquisition of 9.14% equity interest in Activation Group, to be repaid on or around February 2020 and (ii) dividends declared and has not been settled in the amount of RMB52.7 million as at 30 June 2019. Without taking into account of cash inflow from our business operation, after settlement of the abovementioned obligations and commitments, our Group's cash reserve will be close to depleted. It is therefore vital for us to maintain at all material times a reasonable level of working capital buffer to support our general operations, funding obligations and capital commitment.

(v) Empower us to pursue business opportunities and growth in view of industry outlook

According to the CIC Report, there are several major market drivers of experiential marketing services for premium and luxury brands in Greater China, including (i) increasing of high net income and mass affluent population in the PRC; (ii) rapid development of the luxury vehicle market encouraging luxury brand companies to use experiential marketing services; and (iii) contribution of beauty products awareness to the growth of the beauty product market. Whereas for marketing solution services market in Greater China, there are further drivers in (i) prosperous development of major downstream markets; (ii) increasing demand for diversified marketing services for corporations to enhance competitive strengths; (iii) increasing demand for creative marketing services to enhance brand awareness; and (iv) the deployment of 5G encourages the marketing solution services market to evolve. Our Directors believe that we could capture and anticipate growth in the market going forward. In order to capture the growing potential in the market and to meet the intended increase in projects from our clients, it is therefore our business plan to grow and scale up our existing offices and also to set up new offices in Paris and Guangzhou.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

We estimate that the net proceeds (i.e. gross proceeds net of the underwriting fees and commission and the estimated expenses payable by our Company) from the issue of the Offer Shares will be approximately RMB319.2 million (equivalent to HK\$355.1 million), based on an Offer Price of HK\$2.025 per Offer Share (being the mid-point of the indicative Offer Price range set forth on the “Important” page of this prospectus) and assuming that the Over-allotment Option is not exercised at all. We currently intend to apply the net proceeds of RMB319.2 million from the Global Offering for the following purposes:

1. Approximately 55.9%, or RMB178.4 million (equivalent to approximately HK\$198.5 million) is expected to be used to develop and expand our existing business of integrated marketing solutions and IP development;
2. Approximately 34.2%, or RMB109.3 million (equivalent to approximately HK\$121.6 million) is expected to be used as cash reserve for strategic investment funds for seeking suitable cooperation or investment opportunities which have strategic benefits to our Group; and
3. Approximately 9.9%, or RMB31.5 million (equivalent to approximately HK\$35.0 million) will be used for general replenishment of working capital and other general corporate purpose.

1. Expansion of our existing business

Approximately 55.9%, or RMB178.4 million (equivalent to approximately HK\$198.5 million) of our net proceeds is expected to be used to develop and expand our existing business of integrated marketing solutions and IP development. The intended allocation of this portion is primarily as follows:

Integrated Marketing Solutions

- Approximately RMB64.1 million (equivalent to approximately HK\$71.4 million) is expected to be used as set up cost of our new Paris and Guangzhou Office, expansion cost for our Shanghai and Hong Kong office and for developing new clientele supporting the expansion. The intended allocation of this portion of the net proceeds is primarily as follows:

Intended applications	Detailed breakdown primarily includes	Related business strategies
Paris office	Rent, recruitment of staff and renovation (including fixed asset instalment)	Establish an office in Paris for expanding our client base in the European market
Guangzhou office	Rent, recruitment of staff and renovation (including fixed asset instalment)	Establish an office in Guangzhou and capture business opportunities arising from the Bay Area – the hub where local and international premium brands meet

FUTURE PLANS AND USE OF PROCEEDS

Intended applications	Detailed breakdown primarily includes	Related business strategies
Shanghai office	Recruitment of staff, renovation (including fixed asset instalment) and maintenance and additional office space	Scale up our integrated marketing solutions business and improve operating efficiency
Hong Kong office	Additional office space, recruitment of staff, renovation (including fixed asset instalment) and maintenance	Scale up our integrated marketing solutions business, and improve operating efficiency

Please refer to the section headed “Business – Our strategies – Expand our geographical coverage and increase our clientele” for further details of our future plans of our Paris and Guangzhou office.

For our Hong Kong and Shanghai office, we intend to expand our offices scale to cope with our increasing business volume. We intend to expand 400 sq.m. additional office space (approximately 27% increase) in our Shanghai office which has an existing area of approximately 1,482 sq.m., and expand 1,200 sq.ft. (approximately 49% increase) additional office space in our existing Hong Kong office which has an existing office area of approximately 2,450 sq.ft. In particular, for our Hong Kong office, additional office space and renovation is needed, as our Hong Kong office will need to support our Group’s investors’ relationship function after our Listing on the Stock Exchange, which also include having meeting areas for potential investors of our Group. We also intend to increase six headcounts in our Hong Kong office to support our business growth. We anticipate that additional office space for meeting rooms and renovation approximately is necessary. For our Shanghai office, driven by the growth in our business during the Track Record Period, we intend to recruit approximately 40 staff for project execution and support. Additional office space is needed to cater for our additional staff and as meeting rooms with our clients.

- Approximately RMB49.1 million (equivalent to approximately HK\$54.6 million) is expected to be used to accelerate the growth in our digital and brand communication business in our Beijing office. The intended allocation of this portion of the net proceeds is primarily as follows:

Intended applications	Detailed breakdown	Related business strategies
Accelerate our growth and enhance our capability in digital and communication in our Beijing office	Recruitment of staff, Additional office space, Additional maintenance, Purchase digital software platform and system	Scale up and expand our integrated marketing solutions business, in particular our digital and brand communication services.

FUTURE PLANS AND USE OF PROCEEDS

During the Track Record Period and as at the Latest Practicable Date, our digital and brand communication services were provided in our Shanghai headquarters. Our Beijing office's business focus was mainly on automobile experiential marketing services. We are confident that with our experience and expertise in our Shanghai headquarters, our Beijing office will be able to launch digital and brand communication services. Based on our Directors' knowledge of our automobile clients' marketing plan, we believe they have demands for digital and brand communication services, we are confident that our clients will support us in our business expansion in this area. In addition, our Directors believe our expansion in digital and brand communication services can be supported by industry data. According to the CIC Report, the changing consumption patterns and increasing expenditure on digital marketing in prosperous industries propels the development of digital marketing solution services. The expenditure on digital marketing in transportation industry has reached RMB10.8 billion in 2018. The following table sets out the expenditure on digital marketing in selected industries in China.

**Expenditure on digital marketing in selected industries,
mainland China, 2014-2018**

Million RMB	2014	2015	2016	2017	2018	CAGR (2014-2018)
Transportation	7,196	8,551	8,353	9,504	10,814	10.7%
Internet services	4,224	4,933	6,897	8,177	9,693	23.1%
Food and beverage	3,693	5,062	4,974	5,847	6,873	16.8%
Cosmetics	2,857	3,296	2,840	3,205	3,618	6.1%
Financial services	1,918	2,729	1,823	1,928	2,039	1.5%

Source: CIC Report

For our Beijing Office, we intend to recruit 45 additional staff within one year after our Listing and an additional 35 staff (subject to adjustment) for the forward next year. We intend to expand 800 sq.m. additional office space (i.e. approximately 123% increase) in our Beijing office which has an existing area of approximately 649 sq.m. Additional office space in Beijing office is particularly needed in view of (i) additional 80 headcounts to be hired; (ii) we have reserved special storage area to keep our new digital platform and systems; and (iii) to cope with our expansion, we wish to have a meeting area which we do not have in our existing Beijing office to host meetings with our clients and potential business partners. The software and digital platform we intend to purchase include Big-Data monitoring and analysis system, demand-side platform (“DSP”) and data management platform (“DMP”). Through these systems and platforms, we can collect and analyse target group's data (with the consent of the data owner). We can also purchase data from third parties and with the available data, analyse and narrow down specific target group of people or corporates who will be likely interested in our clients' products or services. In doing so, we can provide our clients with more tailor-made and relevant marketing solutions.

FUTURE PLANS AND USE OF PROCEEDS

- Approximately RMB11.0 million (equivalent to approximately HK\$12.2 million) is expected to be used for talent hiring. We intend to globally recruit a team of approximately 5-10 experienced individuals to be our digital/event creative directors or associate creative directors to enhance our Group's creative capability.

Please refer to the following table regarding the qualifications and experience of talents we intend to hire:

Position	Qualifications	Experience	Other attributes
Global Creative Director (Events)	Degree holder	15 years or more of marketing experience 5 years or more of management experience	Referrals from premium and luxury brands Awards and roles in significant projects
Associate Global Creative Director (Events)	Degree holder	10 years or more of experiential marketing experience	Work experience with premium and luxury brands Awards and roles in significant projects
Associate Global Creative Director (Digital and brand communications)	Degree holder	10 years or more of digital marketing experience	Technical software skills Awards and roles in significant projects
Associate Global Creative Director (Sports)	Degree holder	10 years or more of sports events management experience	Awards and roles in significant projects

IP development

Approximately RMB54.2 million (equivalent to approximately HK\$60.3 million) is expected to be used to develop our existing IP as follows:

- Approximately RMB36.6 million (equivalent to approximately HK\$40.7 million) for initial funding (the funding will primarily be used to expand the team and for the operating costs) for organising six Le Tour de France competitions. We have been organising Critérium races in Shanghai for three consecutive years since 2017. Also, our Group has entered into agreements with the local PRC authorities to organise L'Étape races in Zhuji Zhejiang and Yunnan for three consecutive years from 2019 to 2021 respectively. It is our business intention to enter into more of these kinds of agreements with local PRC authorities and in different areas in PRC, as organising repeated competitions will have more certainty and will incur much less of our planning efforts; and

FUTURE PLANS AND USE OF PROCEEDS

- Approximately RMB17.6 million (equivalent to approximately HK\$19.6 million) for running a “LaLiga Club” sports park and organising LaLiga Club marketing events and promotions. Our “LaLiga Club”, sports park is a concept which our Group will be granted from local government with the right to run and operate one of the local government’s existing sports park venues and have it renovated with a LaLiga Club theme. In doing so, we may receive membership fees from participants and entrants of the theme sports park. The LaLiga Club sports park will be owned by the local government while we are entitled to receive management fees from the local government.

We had entered into an overall operation management service agreement with 上海市浦東新區高東鎮人民政府 (Municipal People’s Government of Gaodong Town, Pudong New District, Shanghai) in March 2019 to manage and maintain a sports park. Under the overall operation management service agreement, we shall provide management services (i.e. management, maintenance and upkeep) of the sports park for a period of three years. Generally speaking, in carrying out our responsibilities, we are responsible for miscellaneous management services including tidying up the park, repairing the sports facilities, organising sports events booking and the promotion of the sports park, etc. Our Directors confirm as we are managing the park, there is no need for us to pay additional fees to the local government for the right to use the park. There is also no sharing of profits arrangements with the local government regarding the operation of the sports park. Under the current agreement, we are entitled to receive management fees of approximately RMB 2.0 million for the period commencing from 1 March 2019 to 31 December 2019. Subject to the review of our performance, the management fees will be renegotiated at a discount for the following two years with renewed agreements. As at the Latest Practicable Date, we are preparing for the performance review and negotiation of revised management fees for 2020. We do not expect any material impediment in the renewal.

As at the Latest Practicable Date, we are also in the process of planning events and designing associated renovation for transforming it into our first LaLiga Club sports park while managing and maintaining the daily operation of the park. We do not expect to incur material investment losses in our operation of LaLiga Club sports parks because (i) we are not constructing any sports parks but provide management services of an existing sports park; (ii) each of the LaLiga Club theme’s customisation for the park, for example repairing and maintaining football pitch grass, are scheduled upon an event’s need; (iii) we shall estimate an event income before deciding the extent of such renovation; and (iv) we are entitled to the management fees and membership fees from participants and entrants, which will likely be able to cover the renovation costs incurred. Ancillary to the LaLiga Club sports parks, we intend to explore and organise marketing events and activities such as LaLiga Club Football Method Training in the coming future. The following table sets out some of the features of our initial plans:

Events and activities	Features of our initial plans
LaLiga Club Football Method Training	<ul style="list-style-type: none">• Training by first class Spanish coaches• Coaches will have qualifications such as Union of European Football Associations at least C class certification• Coaches will be assigned by LaLiga Club

FUTURE PLANS AND USE OF PROCEEDS

The table below sets out the breakdown of our intended use of proceeds for our LaLiga Club sports park:

Intended use	Approximate use of proceeds <i>RMB'000</i>	Basis/reference used in our planning
1 Recruitment of LaLiga Club sports park management team, hiring 8 staff members by 2021 who are mainly responsible for the execution, management and promotion of LaLiga Club events, as well as serving our LaLiga Club sports park members	5,010	Quotation from a third party obtained for the purpose of ascertaining the costs for hiring staff in managing or maintaining the sports park and our Group's recruitment plan
2 Site renovation	1,200	Quotation from a third party obtained for the purpose of ascertaining the unit price of renovating the sports park
3 Purchase of sports park facilities	650	Quotation from a third party obtained for the purpose of ascertaining the unit price of installing sports park facilities
4 Maintenance of sports park facilities, and offices	2,720	Quotation from a third party obtained for the purpose of ascertaining the prices of operational maintenance

The remaining amount will be spent on the promotion of LaLiga Club events.

Although the agreement was entered into in March 2019, our Group was not able to initiate the LaLiga Club sports park during the Track Record Period. It was mainly due to the following reasons: (i) our Group took time to learn the management and operation of sports park as it was the first time for our Group to offer such services; (ii) our Group was experiencing growth in multiple business areas, in particular digital and brand communication services and Le Tour de France races, we do not have sufficient resources to commit to initiate the sports park during 2019; and (iii) we do not wish to launch the sports park without being fully prepared or a strong pipeline of attractive events; and (iv) in 2019, we were mainly designing and planning for events to be rolled out in the sports park in 2020.

In addition to the above intended use, it is also our Group's long term business plan to obtain and develop new IP rights with new clients when such opportunities arise.

FUTURE PLANS AND USE OF PROCEEDS

The table below outline and summarises our intended plans on the application of the net proceeds in relation to the expansion of our existing business:

	For the year ending 31 December 2020	For the year ending 31 December 2021	Total	% of net proceeds
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>(%)</i>
Integrated marketing solutions				
– Beijing office	23.5	25.5	49.0	15.3
– Shanghai office	11.8	13.7	25.5	8.0
– Guangzhou office	7.0	8.0	15.0	4.7
– Paris office	7.4	7.1	14.5	4.5
– Hong Kong office	1.2	7.9	9.1	2.9
– Talent hiring	4.1	7.0	11.1	3.5
Sub-total	55.0	69.2	124.2	38.9
IP development				
– Le Tour de France	12.6	23.9	36.5	11.5
– LaLiga Club	9.0	8.7	17.7	5.5
Sub-total	21.6	32.6	54.2	17.0
Total	76.6	101.8	178.4	55.9

2. Strategic investment funds

Approximately 34.2%, or RMB109.3 million (equivalent to approximately HK\$121.6 million) of our net proceeds is expected to be used as cash reserve for strategic investment funds for seeking suitable cooperation or investment opportunities which have strategic benefits to our Group. As part of our business strategies, we intend to scale up our operations by way of acquisition and cooperation. With the synergy effect as a result of acquisition or cooperation, we can achieve higher profit and expand our business scope. Please refer to the section headed “Business – Our Strategies – Expansion through acquisition and cooperation” for our successful track record of acquisition and cooperation. We believe that strategic investment and acquisition will enable us to gain access to new geographic markets, expand our scope of services and client base and achieve expansion in an efficient and effective manner.

The main purpose of any strategic investment will be to achieve our business strategy of scaling up our business. Our key selection criteria in evaluating potential acquisitions or investment targets include, among others, (a) business focus; (b) market coverage; (c) strengths and abilities; (d) size and scale of operation; (e) financial condition and valuation. We will set up an internal approval system and stringent procedures covering preliminary due diligence, target selection, internal proposal and investment approval. As at the Latest Practicable Date, we had not identified or initiated any plans for acquisition or investment targets for our use of net proceeds from the Global Offering.

FUTURE PLANS AND USE OF PROCEEDS

Selection criteria

We seek potential acquisition and investment opportunities and select potential targets based on our industry experience and the following general selection criteria:

- **Business focus** – We target businesses that can achieve our business strategies. Business focuses of potential targets include creative design houses, marketing agencies, digital and brand communication agencies and cooperating partners of our IP development businesses.
- **Market/service coverage** – We primarily target businesses that have experience in serving premium and luxury brands worldwide. For Digital and Brand Communication, we also target businesses that have experience in KOL management/platforms and social media platforms. The market coverage of the potential targets should complement our Group’s existing client base.
- **Strengths and abilities** – We value the potential targets’ strengths and abilities. Ideally the strategic acquisition or cooperation should be a perfect match of the strengths and abilities that can benefit the enlarged group with substantial synergy effect.
- **Location, size and scale of operations** – We will mainly take into account of any material overlapping of business functions and units with the potential target, and whether the integration will result in over/under capacity. The following table generally sets out our preferred criteria regarding our acquisition/investment plan for marketing agencies and digital marketing agencies:

	Marketing agency	Digital and brand communication agency
Location	Europe based	PRC based
Revenue (RMB)	>100 million	>50 million
Profit (RMB)	>10 million	No specific preference
Business scope and focus	Events or public relations or digital and brand communication	Creative and execution in digital marketing
Clientele	International and luxury brands	Internet and automobile brands

FUTURE PLANS AND USE OF PROCEEDS

	Marketing agency	Digital and brand communication agency
Specialty	Specialize in creative design	In one or more of the following systems: CRM/KOL/MCN/Big data
Team	International	Local or international
Market coverage	Europe or the United States of America	PRC
Intended allocation of capital requirement in acquisition/investment (RMB)	Up to RMB70 million	Up to RMB70 million
Availability of targets*	Not less than 20	Not less than 20

* *Source: CIC Report*

- **Financial condition and valuation** – We will take into account the financial conditions of the potential targets and whether the valuation fairly reflects the financial condition. In particular, we will pay special attention to identify any contingent liabilities and risk factors of the potential targets.

Timeframe

We plan to initiate the search for potential targets in the second half of 2020, as our Listing will occur in end of 2019 or early 2020. We expect our management to spend their time and focus on implementing our expansion plan (i.e. initiate the office expansion, renovation and recruitment process) prior to proceed on with our strategic acquisition plan. The processes of due diligence, valuation, negotiation, and feasibility studies will be on-going until we have substantially utilised the proceeds for strategic acquisition and investment.

In addition, we may invest in stages by first acquiring a part of the equity stake in such target company or form a business joint venture with it in order to understand its operations and to ascertain if the integration will be successful. After collaborating with the target for a certain period of time, we may consider increasing our investment or to acquire a majority stake in these targets.

FUTURE PLANS AND USE OF PROCEEDS

BASES AND KEY ASSUMPTIONS

Bases of our cost estimate

The following table sets out the bases of our cost estimate of the major cost items of our intended use of proceeds:

Cost items	Basis of estimate	If not fully funded by the proceeds from Listing
Rental of office premises	Market price provided by real estate agencies	Proportionally reduce the expansion plan
Renovation	Third party quotations	Proportionally reduce the expansion plan
Staff remuneration	Our latest cost of existing staff	Proportionally reduce the expansion plan
Talent hiring – staff remuneration	Market price provided by recruitment agencies	Proportionally reduce the expansion plan
Digital software, platform and system	Third party quotations	Reallocate proceeds from the strategic investment funds to meet with the shortfall
Le Tour de France competition set up costs	Our historical cost of a similar previous competition	Reallocate proceeds from the strategic investment funds to meet with the shortfall
LaLiga Club events set up costs	Third party quotation	Reallocate proceeds from the strategic investment funds to meet with the shortfall

For Le Tour de France, the cost we use in estimation for allocating our intended use of proceeds are based on cost incurred for historical L'Étape races during the Track Record Period.

For LaLiga Club projects (i.e. the LaLiga Club sports park and miscellaneous marketing and promotion events), the LaLiga Club sports park is a new concept and there is no reference to our historical cost during the Track Record Period. Instead, we had a cost breakdown and we quoted and compared price from independent third parties for the major cost items, which are decoration, renovation, maintenance and hiring of staffs.

FUTURE PLANS AND USE OF PROCEEDS

Assumptions adopted for our future plans

We have adopted the following major principal assumptions in the preparation of the above future plans:

- there will be no material changes in the existing political, legal, fiscal, market or economic conditions in Greater China;
- we will have sufficient financial resources to meet the planned capital and business development requirements during the period to which our business objectives relates;
- our Directors and key senior management will continue to be involved in the development of our existing and future development and we will be able to retain our key management personnel;
- there will be no material change in the estimated costs for each of the business strategies described in this prospectus;
- we will not be materially affected by the risk factors set out in the section headed “Risk Factors”; and
- we will be able to continue with our operations in substantially the same business environment as we have been operating during the Track Record Period, and we will be able to implement our strategies without major disruptions.

MISCELLANEOUS

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we will deposit the net proceeds into interest-bearing bank accounts, such as demand deposit accounts, with licenced commercial banks and/or authorised financial institutions in Hong Kong and the PRC.

Assuming that the Over-allotment Option is not exercised at all, the net proceeds from the Global Offering will be approximately HK\$416.2 million in the event that the Offer Price is set at HK\$2.34 per Offer Share (being the high end of the indicative Offer Price range), or approximately HK\$294.0 million in the event that the Offer Price is set at HK\$1.71 per Offer Share (being the low end of the indicative Offer Price range).

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will be approximately HK\$415.9 million in the event that the Offer Price is set at HK\$2.025 per Offer Share (being the mid-point of the indicative Offer Price range), approximately HK\$486.4 million in the event that the Offer Price is set at HK\$2.34 per Offer Share (being the high end of the indicative Offer Price range), or approximately HK\$345.3 million in the event that the Offer Price is set at HK\$1.71 per Offer Share (being the low end of the indicative Offer Price range).

In each of the above circumstances, we intend to apply the net proceeds for the various intended uses set out above in the proportions as stated above and the amount of net proceeds to be applied for each intended use will be adjusted accordingly. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

UNDERWRITING

HONG KONG UNDERWRITERS

Dongxing Securities (Hong Kong) Company Limited

CMB International Capital Limited

Haitong International Securities Company Limited

China Galaxy International Securities (Hong Kong) Co., Limited

ABCI Securities Company Limited

China Everbright Securities (HK) Limited

China Investment Securities International Brokerage Limited

North Beta International Securities Limited

First Shanghai Securities Limited

Forwin Securities Group Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is initially offering for subscription by public in Hong Kong of 20,000,000 Hong Kong Offer Shares at the Offer Price under the Hong Kong Public Offering, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Hong Kong Underwriters have agreed, on and subject to the terms and conditions in the Hong Kong Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Hong Kong Offer Shares.

The Hong Kong Underwriting Agreement is subject to various conditions, which include, without limitation:

- (a) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and
- (b) the International Placing Agreement having been executed, becoming unconditional and not having been terminated.

UNDERWRITING

Grounds for termination

The respective obligations of the Hong Kong Underwriters to subscribe for, or procure subscribers for, the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall, subject to the consent of the Sole Sponsor, terminate the Hong Kong Underwriting Agreement with immediate effect by written notice to our Company at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date if:

- (i) there shall develop, occur, exist or come into effect:
 - (a) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government or orders of any courts, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, nuclear leakage, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the U.S., the BVI, the United Kingdom, the European Union (or any member thereof), the Cayman Islands, Japan, Australia, or any other jurisdiction relevant to any member of our Group (together, the “**Specific Jurisdictions**”); or
 - (b) any change or any development involving a prospective change, or any event or series of events likely to result in any change or development or a prospective change, in any local, regional, national, or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in any stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting the Specific Jurisdictions; or
 - (c) any new law or any change or any development involving a prospective change or any event or circumstance likely to result in a change in existing laws or development involving a prospective change in (or in the interpretation or application by any court or other competent authority in or affecting) the Specific Jurisdictions; or
 - (d) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or Tokyo Stock Exchange; or the imposition of any general moratorium on commercial banking activities in the Specific Jurisdictions declared by the

UNDERWRITING

- relevant authorities or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services or procedures in any of the Specific Jurisdictions; or
- (e) the imposition of economic sanctions, in whatever form, directly or indirectly, by or on any of the Specific Jurisdictions; or
 - (f) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment laws (including, without limitation, a material devaluation of the Hong Kong dollars or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Specific Jurisdictions; or
 - (g) save as disclosed in this prospectus, any litigation or claim of any third party being threatened or instigated against any member of our Group; or
 - (h) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
 - (i) our chairman or chief executive officer or financial controller vacating his office; or
 - (j) the commencement by any governmental, regulatory or political body or organisation in any relevant jurisdiction commencing any investigation or take other action, against any Director; or
 - (k) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or applicable laws; or
 - (l) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer of the Shares) pursuant to the Companies (WUMP) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
 - (m) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Placing Agreement (other than upon any of the Sole Sponsor, the Hong Kong Underwriters or the International Underwriters); or
 - (n) any event, act or omission which gives rise to any liability of any of our Company, our executive Directors or the Controlling Shareholders under the Hong Kong Underwriting Agreement pursuant to the indemnities contained therein; or

UNDERWRITING

- (o) any adverse change, or any development involving a prospective adverse change or development in conditions, in the assets, liabilities, business affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of our Group; or
- (p) any material breach of any warranties under the Hong Kong Underwriting Agreement or any event or circumstances rendering such warranties be or would be when repeated untrue, incorrect or misleading in any material respect; or
- (q) a petition or an order for the winding-up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Company or any of its subsidiaries taken as a whole; or
- (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or
- (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed; or
- (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

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- (ii) there has come to the notice of the Joint Global Coordinators:
- (a) that any statement contained in this prospectus and the Application Forms, the formal notice issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (the “**HKPO Documents**”) and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue or incorrect in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the HKPO Documents is not fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the HKPO Documents and/or in any notices, announcements, advertisements, communications or other documents including any supplement or amendment thereto; or
 - (c) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including Shares to be allotted and issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or
 - (d) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
 - (e) that any person (other than the Joint Global Coordinators, the Sole Sponsor or any of the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of this prospectus and the Application Forms and any other document issued, given or used by or on behalf of our Company in connection with the contemplated offering of the Offer Shares or otherwise in connection with the Global Offering, including, without limitation, any roadshow materials relating to the Offer Shares and, in each case, all amendments or supplements thereto (the “**Offering Documents**”) or to the issue of any of the Offering Documents; or
 - (f) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (g) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

UNDERWRITING

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Our Company has undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor and each of our Controlling Shareholders and executive Directors has undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor that he/she/it will procure our Company that, except for the Capitalisation Issue, the offer of the Offer Shares pursuant to the Global Offering (including the grant of, and the allotment and issue of the Shares pursuant to the exercise of, the Over-allotment Option) and the grant of, and the allotment and issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (“**First Six-Month Period**”), not to, and to procure each other member of our Group not to, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) (except for allotment of shares or securities by our subsidiaries to our Company or other members of our Group) offer, accept subscription for, pledge, lend, assign, mortgage, charge, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or buyback, any of the share capital of our Company or other securities of any subsidiary or any securities convertible into or exercisable or exchangeable for or that represent the right to receive, or interests in, such share capital or any derivatives with the Shares or the shares of any subsidiary as underlying securities; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or
- (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above;

whether any of the foregoing transactions described above is to be settled by delivery of share capital or such other securities, in cash or otherwise or publicly disclose that our Group will or may enter into any transaction described above. We have further agreed that, during the period of six months immediately following the expiry of the First Six-Month Period (“**Second Six-Month Period**”), in the event that our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, we shall take all reasonable steps to ensure that it will not create a disorderly or false market for any of our Shares or other securities of our Company.

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Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to each of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor that, except pursuant to the Stock Borrowing Agreement:

- (a) during the First Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Joint Global Coordinators and our Company and unless in compliance with the requirements of the Listing Rules, (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares in respect of which he or it is the beneficial owner (directly or indirectly) as at the Listing Date or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities (together, the “**Relevant Securities**”); or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Shares or such other securities, in cash or otherwise; or (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above;
- (b) during the Second Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and their respective associates or companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Joint Global Coordinators and our Company and unless in compliance with the Listing Rules, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by him/it or any of his/its associates or companies controlled by him/it or any nominee or trustee holding in trust for him/it if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) or would together with other Controlling Shareholders cease to be a group of controlling shareholders (as defined in the Listing Rules);
- (c) in the event of a disposal of any Relevant Securities or our Company’s securities or any interest therein within the Second Six-Month Period, he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company; and

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- (d) he/it shall, and shall procure that his/its associates and companies controlled by and nominees or trustees holding in trust for him/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it of any Shares.

Each of our Controlling Shareholders has further undertaken to each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, from the date of the Hong Kong Underwriting Agreement up to the expiry of the first 12 months from the Listing Date, he/it will:

- (a) when he/it pledges or charges any securities or interests in the Relevant Securities, immediately inform us, the Sole Sponsor and the Joint Global Coordinators in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
- (b) when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in our securities will be sold, transferred or disposed of, immediately inform us, the Sole Sponsor and the Joint Global Coordinators in writing of such indications.

Our Company shall notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

Restrictions and undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, he/it shall not, and shall procure that the relevant registered holder(s) shall not, at any time during the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (“**First Lock-up Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan) in respect of, any of the Shares or other securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner.

Furthermore, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that in the period of the six months commencing on the date on which the First Lock-up Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities if, immediately following such disposal or upon the exercise or

UNDERWRITING

enforcement of such options, rights, interests or encumbrances (save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan), he/it would cease to be a group of controlling shareholder (as defined in the Listing Rules).

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that he/it will, within a period of commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of:

- (a) any pledges or charges of any Shares or other securities of our Company beneficially owned by any of our Controlling Shareholders in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, and the number of such Shares or other securities of our Company so pledged or charged; and
- (b) when he/she/it or the relevant requested holders receive indication, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

Restrictions on our Company

Pursuant to Rule 10.08 of the Listing Rules, no Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering (including the exercise of the Over-allotment Option) and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Indemnity

Each of our executive Directors and the Controlling Shareholders has jointly and severally undertaken to indemnify, hold harmless and keep fully indemnified on demand (on an after-tax basis) each of the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters from and against certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement, subject to the terms of the Hong Kong Underwriting Agreement.

UNDERWRITING

International Placing

International Placing Agreement

In connection with the International Placing, it is expected that our Company, our Controlling Shareholders and executive Directors will enter into the International Placing Agreement with the Sole Sponsor, the Joint Global Coordinators, the International Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below.

Under the International Placing Agreement, subject to the conditions set forth therein, the International Underwriters are expected to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the International Placing Shares initially being offered pursuant to the International Placing. It is expected that the International Placing Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Prospective investors shall be reminded that in the event that the International Placing Agreement is not entered into, the Global Offering will not proceed. The International Placing Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the International Placing Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in the paragraph headed “Hong Kong Underwriting Agreement” above in this section.

Our Company is expected to grant to the International Underwriters the Over-allotment Option. The Stabilising Manager or its agent, for itself and on behalf of the International Underwriters, can exercise the Over-allotment Option to require our Company to allot and issue up to an aggregate of 30,000,000 additional Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price per International Placing Share, solely to cover over allocations, if any, in the International Placing.

The Over-allotment Option may be exercised by the Stabilising Manager any time from the Listing Date and until the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, being 8 February 2020. The purpose of the exercise of the Over-allotment Option is to settle any over-allocations in the International Placing, if any. Please refer to the section headed “Structure and Conditions of the Global Offering – International Placing – Over-allotment Option” for further details of the Over-allotment Option.

Commission, fees and expenses

The Hong Kong Underwriters are expected to receive a gross underwriting commission of 3.0% of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering out of which any sub-underwriting commission, praecipium and

UNDERWRITING

selling concession will be paid. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing and any International Placing Shares reallocated from the International Placing to the Hong Kong Public Offering, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters.

Based on the Offer Price of HK\$2.025 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commission, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to amount to approximately RMB44.8 million in total (assuming the Over-allotment Option is not exercised), and are payable by our Company with reference to the number of Offer Shares under the Global Offering. We will also pay for all expenses in connection with any exercise of the Over-allotment Option.

SOLE SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sole Sponsor will receive a sponsorship fee to the Global Offering. The Joint Global Coordinators and the Underwriters will receive an underwriting commission and/or praecipium. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Underwriting Arrangements and Expenses – Commission, fees and expenses" above in this section.

We have appointed Dongxing Securities (Hong Kong) Company Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the full financial year commencing after the Listing Date.

Save as disclosed above, none of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or the Underwriters is interested legally or beneficially in any Shares or other securities of our Company or any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase any Shares or other securities of our Company or any members of our Group or has any interest in the Global Offering.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and/or the International Placing Agreement.

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

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RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

MINIMUM PUBLIC FLOAT

Our Directors and the Joint Global Coordinators will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering.

The Global Offering initially consists of:

- (i) the Hong Kong Public Offering of initially 20,000,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described in the paragraph headed “Hong Kong Public Offering” below in this section; and
- (ii) the International Placing of initially 180,000,000 Offer Shares by our Company (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional investors within Hong Kong) in offshore transactions in reliance on Regulation S or pursuant to another exemption from the registration requirements under the US Securities Act.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Placing Shares under the International Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received the International Placing Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for the Hong Kong Offer Shares in the Hong Kong Public Offering. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the International Placing Shares to professional, institutional and other investors anticipated to have a sizeable demand for such International Placing Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Underwriters are soliciting from prospective investors’ indications of interest in acquiring the International Placing Shares in the International Placing. Prospective professional, institutional and other investors will be required to specify the number of the International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Shares to be offered under the Hong Kong Public Offering and the International Placing may be subject to reallocation as described in the paragraph headed “Pricing and Allocation” below in this section.

References in this prospectus to applications, Application Forms, application monies or the procedure for application refer solely to the Hong Kong Public Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on, among others:

- (i) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Shares to be issued under the Capitalisation Issue and any Shares which may be issued upon exercise of options granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the Offer Price having been fixed, and the execution and delivery of the Price Determination Agreement on or around the Price Determination Date;
- (iii) the execution and delivery of the International Placing Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Placing Agreement having become unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators (for themselves and on behalf of the Underwriters)) and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Monday, 13 January 2020, the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Hong Kong Public Offering on our website at www.activation-gp.com and the website of the Stock Exchange at www.hkexnews.hk on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for the Hong Kong Offer Shares – 13. Refund of Application Monies”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on Wednesday, 15 January 2020, but will only become valid certificates of title at 8:00 a.m. on Thursday, 16 January 2020, the date of commencement of dealings in the Shares provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination” in this prospectus has not been exercised. Investors who trade the Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 20,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering (assuming that the Over-allotment Option is not exercised). Subject to the reallocation of Shares between (i) the International Placing; and (ii) the Hong Kong Public Offering as mentioned below, the number of the Hong Kong Offer Shares will represent 10% of our Company’s issued share capital immediately after completion of the Global Offering without taking into account any Shares which may be issued and allotted upon any exercise of Over-allotment Option and the options which have been or may be granted under the Share Option Scheme.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “Conditions of the Hong Kong Public Offering” above in this section.

Allocation

The total number of Offer Shares available for subscription under the Hong Kong Public Offering (after taking into account of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing) is to be divided equally into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B with any odd board lots being allocated to pool A. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) and up to the value of pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only apply for the Hong Kong Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or in both pools and any application for more than 10,000,000 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times; (ii) 50 times or more but less than 100 times; and (iii) 100 times or more, of the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 60,000,000 Offer Shares (in the case of (i)), 80,000,000 Offer Shares (in the case of (ii)) and 100,000,000 Offer Shares (in the case of (iii)), representing 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, in certain prescribed circumstances, the Joint Global Coordinators may, at their sole and absolute discretion, reallocate the International Placing Shares as they deem appropriate from the International Placing to the Hong Kong Public Offering to satisfy in whole or in part the excess valid application in the Hong Kong Public Offering.

If the Hong Kong Offer Shares are not fully subscribed for, the Joint Global Coordinators may, at their sole and absolute discretion, reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportion as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may, at their sole and absolute discretion, reallocate the International Placing Shares to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if (i) the International Placing is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed; or (ii) the International Placing is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Joint Global Coordinators have the authority to re-allocate International Placing Shares originally included in the International Placing to the Hong Kong

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Public Offering in such number as it deems appropriate, provided that in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, (i) the number of International Placing Shares re-allocated to the Hong Kong Public Offering should not exceed 20,000,000 Shares, representing 10% of the Offer Shares initially available under the Global Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 40,000,000 Shares; and (ii) the final Offer Price should be fixed at the bottom end of the indicative Offer Price range (i.e. HK\$1.71 per Offer Share) stated in this prospectus.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she, and any person(s) for whose benefit he or she is making the application (if any) have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Placing.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$2.34 per Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and Allocation" below in this section, is lower than HK\$2.34 per Offer Share (being the high end of the indicative Offer Price range) we will refund the respective difference (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed "How to Apply for the Hong Kong Offer Shares".

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

INTERNATIONAL PLACING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the International Placing will be 180,000,000 Shares (subject to adjustment and the Over-allotment Option). Subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the International Placing Shares will represent 90% of our enlarged issued share capital immediately after completion of the Global Offering without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The International Placing is subject to the same conditions as stated in the paragraph headed “Conditions of the Hong Kong Public Offering” above in this section.

Allocation

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the book-building process and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional Shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Placing may change as a result of the clawback arrangement described in the paragraph headed “Hong Kong Public Offering – Reallocation” above in this section, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the Stabilising Manager (for itself and on behalf of the International Underwriters), exercisable at the sole discretion of the Stabilising Manager (for itself and on behalf of the International Underwriters). Pursuant to the Over-allotment Option, the Stabilising Manager has the right, exercisable at any time from the Listing Date until 30 days from the date of the last day of lodging applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 30,000,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover, among other things, over-allocation in the International Placing, if any, and/or to satisfy the obligation of the Stabilising Manager to return securities to be borrowed under the Stock Borrowing Agreement. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our enlarged share capital

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

immediately following completion of the Global Offering and the exercise of the Over-allotment Option but without taking into account any Shares which may fall to be issued upon exercise of any options to be granted under the Share Option Scheme. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the International Placing, Haitong International Securities Company Limited, as the stabilising manager (the “**Stabilising Manager**”) or any person acting for it may choose to borrow Shares from Aurora Activation under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Aurora Activation will only be effected by the Stabilising Manager for settlement of over-allocations in the International Placing and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from Aurora Activation under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Aurora Activation or its nominees on or before the third Business Day following the earlier of (a) the last day on which the Over-allotment Option may be exercised or (b) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to Aurora Activation by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

OVER-ALLOCATION AND STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible,

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Haitong International Securities Company Limited, as the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 30,000,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilising action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation and stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules under the SFO includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last date for

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall; and

- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period. In connection with the Global Offering, the Stabilising Manager may over-allocate up to and not more than an aggregate of 30,000,000 Shares and cover such over-allocation by (amongst other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Thursday, 9 January 2020, and in any event not later than Monday, 13 January 2020, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company.

The Offer Price will be not more than HK\$2.34 per Offer Share and is expected to be not less than HK\$1.71 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, expected to be on Thursday, 9 January 2020, publish on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.activation-gp.com notice(s) of the reduction in the number of

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by our Company with the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus, and the number of Offer Shares offered in the Global Offering will under no circumstances be fewer than the number stated in this prospectus. If the number of Offer Shares and/or the indicative Offer Price range is reduced, applicants who have submitted an application under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

The Offer Price, the levels of indication of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares under the Hong Kong Public Offering, are expected to be announced on Wednesday, 15 January 2020 in the manner set out in the section headed “How to Apply for the Hong Kong Offer Shares – 11. Publication of Results”.

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Allocation of our Offer Shares pursuant to the International Placing will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation may be made to professional and institutional investors and is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The Offer Price under the Global Offering, the level of indications of interest in the International Placing, and the level of applications and the results of and basis of allocations under the Hong Kong Public Offering are expected to be announced on Wednesday, 15 January 2020 on the Stock Exchange's website at www.hkexnews.hk and our website at www.activation-gp.com and in a variety of channels in the manner described in the section headed "How to Apply for the Hong Kong Offer Shares – 11. Publication of Results". You should note that our website, and all information contained in our website, does not form part of this prospectus.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 16 January 2020, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 16 January 2020, and will be traded in board lots of 2,000 Shares each.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date.

We expect that we will, on or around the Price Determination Date, shortly after determination of the Offer Price, enter into the International Placing Agreement relating to the International Placing.

The underwriting arrangements, the Hong Kong Underwriting Agreement and the International Placing Agreement are summarised in the section headed "Underwriting".

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the US Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **White Form eIPO** service at www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 31 December 2019 until 12:00 noon on Thursday, 9 January 2020 from:

- (i) any of the following offices of the Joint Global Coordinators:

Dongxing Securities (Hong Kong) Company Limited

Room 6805-6806A, 68/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central, Hong Kong

Haitong International Securities Company Limited

22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

- (ii) any of the following branches of **Bank of China (Hong Kong) Limited**, the receiving bank for the Hong Kong Public Offering:

District	Branch name	Branch address
Hong Kong Island	Quarry Bay Branch	Parkvale, 1060 King's Road, Quarry Bay, Hong Kong
Kowloon	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong, Kowloon
	Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road, Kowloon
New Territories	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O, New Territories
	Castle Peak Road (Tsuen Wan) Branch	G/F-1/F, Sin Ching Building, 201-207 Castle Peak Road (Tsuen Wan), Tsuen Wan, New Territories

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Tuesday, 31 December 2019 until 12:00 noon on Thursday, 9 January 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED – ACTIVATION GROUP PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Tuesday, 31 December 2019 – 9:00 a.m. to 5:00 p.m.
- Thursday, 2 January 2020 – 9:00 a.m. to 5:00 p.m.
- Friday, 3 January 2020 – 9:00 a.m. to 5:00 p.m.
- Saturday, 4 January 2020 – 9:00 a.m. to 1:00 p.m.
- Monday, 6 January 2020 – 9:00 a.m. to 5:00 p.m.
- Tuesday, 7 January 2020 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 8 January 2020 – 9:00 a.m. to 5:00 p.m.
- Thursday, 9 January 2020 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 9 January 2020, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" below in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (ii) agree to comply with Companies (WUMP) Ordinance and the Articles;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, receiving banks, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the US Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed “2. Who can apply” above in this section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 31 December 2019 until 11:30 a.m. on Thursday, 9 January 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 9 January 2020 or such later time specified under the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” below in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction under White Form eIPO** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of Companies (WUMP) Ordinance.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Commitment to sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Activation Group Holdings Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Branch Share Registrar.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving banks, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (WUMP) Ordinance and the Articles; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Tuesday, 31 December 2019 – 9:00 a.m. to 8:30 p.m.
- Thursday, 2 January 2020 – 8:00 a.m. to 8:30 p.m.
- Friday, 3 January 2020 – 8:00 a.m. to 8:30 p.m.
- Saturday, 4 January 2020 – 8:00 a.m. to 1:00 p.m.
- Monday, 6 January 2020 – 8:00 a.m. to 8:30 p.m.
- Tuesday, 7 January 2020 – 8:00 a.m. to 8:30 p.m.
- Wednesday, 8 January 2020 – 8:00 a.m. to 8:30 p.m.
- Thursday, 9 January 2020 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 31 December 2019 until 12:00 noon on Thursday, 9 January 2020 (24 hours daily, except on 9 January 2020, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 9 January 2020, the last application day or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” below in this section.

Note:

- (1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance.

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 9 January 2020.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“*Unlisted company*” means a company with no equity securities listed on the Stock Exchange.

“*Statutory control*” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed “Structure and Conditions of the Global Offering – Pricing and Allocation”.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions;

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 9 January 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have any of those warnings or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 9 January 2020 or if there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, 15 January 2020 on our Company’s website at www.activation-gp.com and the website of the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.activation-gp.com and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m., Wednesday, 15 January 2020;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function on a 24-hour basis from 8:00 a.m., Wednesday, 15 January 2020 to 12:00 midnight, Tuesday, 21 January 2020;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, 15 January 2020 to Saturday, 18 January 2020;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 15 January 2020 to Friday, 17 January 2020 at all the receiving bank designated branches referred to above.

If our Company accepts your offer to subscribe (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$2.34 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure and Conditions of the Global Offering – Conditions of the Hong Kong Public Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, 15 January 2020.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangements for dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Wednesday, 15 January 2020. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 16 January 2020 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 January 2020 or such other date as is notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for fewer than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, 15 January 2020, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collecting refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, 15 January 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 15 January 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph headed "11. Publication of Results" above in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 15 January 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO Service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 January 2020, or such other date as is notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, 15 January 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 15 January 2020, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "11. Publication of Results" above in this section on Wednesday, 15 January 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 15 January 2020 or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 15 January 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 15 January 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this document, received from our Company's Reporting Accountants, Ernst & Young, Certified Public Accountants, Hong Kong.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors

Activation Group Holdings Limited
Dongxing Securities (Hong Kong) Company Limited

Dear Sirs,

We report on the historical financial information of Activation Group Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-81, which comprises the combined statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2016, 2017 and 2018, and the six months ended 30 June 2019 (the “Relevant Periods”), and the combined statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 June 2019, and the statement of financial position of the Company as at 30 June 2019 and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-81 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 December 2019 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

DIRECTORS’ RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS’ RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Company as at 30 June 2019 and the combined financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 June 2019, and of the combined financial performance and combined cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the combined statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2018 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on

our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

31 December 2019

I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December			Six months ended	
		2016	2017	2018	30 June	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
REVENUE	5	361,814	492,466	684,335	257,785	273,049
Cost of sales		(226,662)	(343,171)	(511,929)	(187,356)	(185,387)
Gross profit		135,152	149,295	172,406	70,429	87,662
Other income and gains	5	6,942	4,911	6,831	4,178	6,972
Selling and distribution expenses		(55,389)	(58,237)	(66,197)	(27,805)	(33,827)
General and administrative expenses		(34,129)	(39,782)	(42,550)	(19,337)	(25,441)
Other expenses, net		1,052	(12,441)	(2,884)	(1,316)	(793)
Finance costs	7	(982)	(678)	(968)	(373)	(578)
Share of profits and losses of associates		16	(602)	(1,378)	(1,076)	37
PROFIT BEFORE TAX	6	52,662	42,466	65,260	24,700	34,032
Income tax expense	10	(14,173)	(17,007)	(21,743)	(7,958)	(11,117)
PROFIT FOR THE YEAR/PERIOD		<u>38,489</u>	<u>25,459</u>	<u>43,517</u>	<u>16,742</u>	<u>22,915</u>
Attributable to:						
Owners of the parent		32,452	20,961	37,114	15,246	17,621
Non-controlling interests		6,037	4,498	6,403	1,496	5,294
		<u>38,489</u>	<u>25,459</u>	<u>43,517</u>	<u>16,742</u>	<u>22,915</u>

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
PROFIT FOR THE YEAR/PERIOD	38,489	25,459	43,517	16,742	22,915
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	<u>1,571</u>	<u>(5,683)</u>	<u>2,831</u>	<u>295</u>	<u>(162)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	<u>40,060</u>	<u>19,776</u>	<u>46,348</u>	<u>17,037</u>	<u>22,753</u>
Attributable to:					
Owners of the parent	<u>34,023</u>	<u>15,278</u>	<u>39,945</u>	<u>15,541</u>	<u>17,459</u>
Non-controlling interests	<u>6,037</u>	<u>4,498</u>	<u>6,403</u>	<u>1,496</u>	<u>5,294</u>
	<u>40,060</u>	<u>19,776</u>	<u>46,348</u>	<u>17,037</u>	<u>22,753</u>

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
	Notes	2016	2017	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	2,059	1,647	1,865	1,886
Right-of-use assets	15	9,851	10,663	10,057	14,585
Goodwill	16	9,164	10,233	10,233	10,233
Intangible assets	17	289	297	232	230
Investments in associates	18	500	8,335	6,524	6,561
Investments in entertainment projects	19	–	258	283	353
Deferred tax assets	27	949	1,990	2,434	1,096
Total non-current assets		<u>22,812</u>	<u>33,423</u>	<u>31,628</u>	<u>34,944</u>
CURRENT ASSETS					
Investments in entertainment projects	19	–	2,700	6,917	4,271
Trade receivables	20	103,935	189,392	258,647	208,117
Prepayments, deposits and other receivables	21	27,663	27,185	19,525	35,803
Due from a shareholder	22	11,543	17,429	–	–
Cash and cash equivalents	23	72,631	70,811	88,397	103,852
Total current assets		<u>215,772</u>	<u>307,517</u>	<u>373,486</u>	<u>352,043</u>
CURRENT LIABILITIES					
Trade payables	24	59,610	114,661	163,073	149,849
Other payables and accruals	25	33,801	62,188	55,910	80,887
Interest-bearing bank borrowings	26	2,999	–	19,000	9,000
Lease liabilities	15	1,243	3,231	1,651	3,516
Tax payable		9,569	13,601	13,234	6,473
Total current liabilities		<u>107,222</u>	<u>193,681</u>	<u>252,868</u>	<u>249,725</u>
NET CURRENT ASSETS		<u>108,550</u>	<u>113,836</u>	<u>120,618</u>	<u>102,318</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>131,362</u>	<u>147,259</u>	<u>152,246</u>	<u>137,262</u>

		As at 31 December			As at
	Notes	2016	2017	2018	30 June
		RMB'000	RMB'000	RMB'000	2019
					RMB'000
NON-CURRENT LIABILITIES					
Lease liabilities	15	9,127	8,190	9,394	11,739
Deferred tax liabilities	27	129	190	250	168
		<u>9,256</u>	<u>8,380</u>	<u>9,644</u>	<u>11,907</u>
Total non-current liabilities					
		<u>9,256</u>	<u>8,380</u>	<u>9,644</u>	<u>11,907</u>
Net assets		<u>122,106</u>	<u>138,879</u>	<u>142,602</u>	<u>125,355</u>
EQUITY					
Equity attributable to owners of the parent					
Issued capital	28	–	–	–	–
Reserves	30	104,067	116,926	121,126	105,041
		<u>104,067</u>	<u>116,926</u>	<u>121,126</u>	<u>105,041</u>
Non-controlling interests		<u>18,039</u>	<u>21,953</u>	<u>21,476</u>	<u>20,314</u>
Total equity		<u>122,106</u>	<u>138,879</u>	<u>142,602</u>	<u>125,355</u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

Note	Attributable to owners of the parent						Total	Non-controlling interests	Total equity	
	Issued capital	Other reserve	Capital reserve	Statutory reserve	Exchange fluctuation reserve	Retained profits				
	RMB'000 (note 28)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000	RMB'000				
At 1 January 2016	-	36,514	6,379	3,573	(390)	42,583	88,659	15,585	104,244	
Profit for the year	-	-	-	-	-	32,452	32,452	6,037	38,489	
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	-	-	-	-	1,571	-	1,571	-	1,571	
Total comprehensive income for the year	-	-	-	-	1,571	32,452	34,023	6,037	40,060	
Dividends declared by a subsidiary to the then shareholders	11	-	-	-	-	(18,615)	(18,615)	-	(18,615)	
Dividends declared by a subsidiary to non-controlling shareholders		-	-	-	-	-	-	(3,583)	(3,583)	
Transfer from retained profits		-	-	3,314	-	(3,314)	-	-	-	
At 31 December 2016		-	36,514*	6,379*	6,887*	1,181*	53,106*	104,067	18,039	122,106

Notes	Attributable to owners of the parent							Non-controlling interests	Total equity	
	Issued capital	Other reserve	Capital reserve	Statutory reserve	Exchange		Total			
					fluctuation reserve	Retained profits				
RMB'000 (note 28)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2017	-	36,514	6,379	6,887	1,181	53,106	104,067	18,039	122,106	
Profit for the year	-	-	-	-	-	20,961	20,961	4,498	25,459	
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations	-	-	-	-	(5,683)	-	(5,683)	-	(5,683)	
Total comprehensive income/(loss) for the year	-	-	-	-	(5,683)	20,961	15,278	4,498	19,776	
Acquisition of a subsidiary	31	-	-	-	-	-	-	1,353	1,353	
Dividends declared by a subsidiary to the then shareholders	11	-	-	-	-	(10,063)	(10,063)	-	(10,063)	
Dividends declared by a subsidiary to non-controlling shareholders		-	-	-	-	-	-	(1,937)	(1,937)	
Equity-settled share-based payment arrangements	29	-	-	7,644	-	-	7,644	-	7,644	
Transfer from retained profits		-	-	-	6,423	(6,423)	-	-	-	
At 31 December 2017		-	36,514*	14,023*	13,310*	(4,502)*	57,581*	116,926	21,953	138,879

		Attributable to owners of the parent								
		Issued	Other	Capital	Statutory	Exchange	Retained	Non-		Total
Notes		capital	reserve	reserve	reserve	fluctuation	profits	Total	controlling	equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(note 28)	(note 30)	(note 30)	(note 30)					
	At 31 December 2017	-	36,514	14,023	13,310	(4,502)	57,581	116,926	21,953	138,879
	Effect of adoption of HKFRS 9	2.2	-	-	-	-	(2,201)	(2,201)	(424)	(2,625)
	At 1 January 2018 (restated)	-	36,514	14,023	13,310	(4,502)	55,380	114,725	21,529	136,254
	Profit for the year	-	-	-	-	-	37,114	37,114	6,403	43,517
	Other comprehensive income for the year:									
	Exchange differences on translation of foreign operations	-	-	-	-	2,831	-	2,831	-	2,831
	Total comprehensive income for the year	-	-	-	-	2,831	37,114	39,945	6,403	46,348
	Dividends declared by a subsidiary to the then shareholders	11	-	-	-	-	(33,544)	(33,544)	-	(33,544)
	Dividends declared by a subsidiary to non-controlling shareholders		-	-	-	-	-	-	(6,456)	(6,456)
	Transfer from retained profits		-	-	4,250	-	(4,250)	-	-	-
	At 31 December 2018	-	36,514*	14,023*	17,560*	(1,671)*	54,700*	121,126	21,476	142,602

Note	Attributable to owners of the parent						Total	Non-controlling interests	Total equity
	Issued capital	Other reserve	Capital reserve	Statutory reserve	Exchange				
					fluctuation reserve	Retained profits			
RMB'000 (note 28)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2019	-	36,514	14,023	17,560	(1,671)	54,700	121,126	21,476	142,602
Profit for the period	-	-	-	-	-	17,621	17,621	5,294	22,915
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	-	-	-	-	(162)	-	(162)	-	(162)
Total comprehensive income/(loss) for the period	-	-	-	-	(162)	17,621	17,459	5,294	22,753
Dividend declared by a subsidiary to the then shareholders	II	-	-	-	-	(33,544)	(33,544)	-	(33,544)
Dividend declared by a subsidiary to non-controlling shareholders		-	-	-	-	-	-	(6,456)	(6,456)
Transfer from retained profits		-	-	1,505	-	(1,505)	-	-	-
At 30 June 2019	-	36,514*	14,023*	19,065*	(1,833)*	37,272*	105,041	20,314	125,355

		Attributable to owners of the parent								
		Issued	Other	Capital	Statutory	Exchange	Retained	Non-		Total
Note		capital	reserve	reserve	reserve	fluctuation	profits	Total	controlling	equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(note 28)	(note 30)	(note 30)	(note 30)					
	At 31 December 2017	-	36,514	14,023	13,310	(4,502)	57,581	116,926	21,953	138,879
	Effect of adoption of HKFRS 9	-	-	-	-	-	(2,201)	(2,201)	(424)	(2,625)
	At 1 January 2018 (restated)	-	36,514	14,023	13,310	(4,502)	55,380	114,725	21,529	136,254
	Profit for the period (unaudited)	-	-	-	-	-	15,246	15,246	1,496	16,742
	Other comprehensive income for the period:									
	Exchange differences on translation of foreign operations (unaudited)	-	-	-	-	295	-	295	-	295
	Total comprehensive income for the period (unaudited)	-	-	-	-	295	15,246	15,541	1,496	17,037
	Transfer from retained profits	-	-	-	1,598	-	(1,598)	-	-	-
	At 30 June 2018 (unaudited)	-	36,514	14,023	14,908	(4,207)	69,028	130,266	23,025	153,291

* These reserve accounts comprise the combined reserves of RMB104,067,000, RMB116,926,000, RMB121,126,000 and RMB105,041,000 in the combined statements of financial position as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively.

COMBINED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Six months ended 30 June	
		2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (unaudited)	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		52,662	42,466	65,260	24,700	34,032
Adjustments for:						
Finance costs	7	982	678	968	373	578
Share of profits and losses of associates		(16)	602	1,378	1,076	(37)
Interest income	5	(93)	(149)	(186)	(118)	(488)
Depreciation of property, plant and equipment	6	1,039	974	853	412	438
Depreciation of right-of-use assets	6	1,319	2,777	2,921	1,383	1,076
Amortisation of intangible assets	6	93	96	117	59	59
Impairment/(reversal of impairment) of trade receivables	6	(204)	694	1,180	1,078	767
Loss on disposal of an investment in an associate	6	–	–	433	–	–
Fair value losses/(gains) on investments in entertainment projects	6	–	4,093	(288)	–	(70)
Equity-settled share-based payments	6	–	7,644	–	–	–
Write-off of other receivables	6	–	–	269	269	–
		<u>55,782</u>	<u>59,875</u>	<u>72,905</u>	<u>29,232</u>	<u>36,355</u>
Decrease/(increase) in trade receivables		(27,590)	(83,218)	(71,760)	7,738	49,763
Decrease/(increase) in prepayments, deposits and other receivables		4,580	2,001	6,091	(36,955)	(16,278)
Decrease/(increase) in amounts due from a shareholder		(18,890)	(5,886)	17,429	(980)	–
Increase/(decrease) in trade payables		24,516	48,978	48,412	23,579	(13,224)
Increase/(decrease) in other payables and accruals		11,105	16,645	7,814	(13,421)	(15,023)
Decrease in amounts due from related companies		2,843	–	–	–	–
		<u>52,346</u>	<u>38,395</u>	<u>80,891</u>	<u>9,193</u>	<u>41,593</u>
Cash generated from operations		<u>(20,344)</u>	<u>(13,955)</u>	<u>(22,494)</u>	<u>(18,662)</u>	<u>(16,622)</u>
Taxes paid						
Net cash flows from/(used in) operating activities		<u>32,002</u>	<u>24,440</u>	<u>58,397</u>	<u>(9,469)</u>	<u>24,971</u>

	Notes	Year ended 31 December			Six months ended	
		2016 RMB'000	2017 RMB'000	2018 RMB'000	30 June 2018 RMB'000 (unaudited)	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		93	149	186	118	488
Acquisition of a subsidiary	31	–	1,890	–	–	–
Disposal of an associate		–	501	–	–	–
Investments in associates		–	(8,937)	–	–	–
Purchases of items of property, plant and equipment		(1,407)	(559)	(1,071)	(259)	(460)
Purchase of intangible assets		(76)	(104)	(52)	(52)	(57)
Settlement of/(investment in) entertainment projects, net		–	(7,051)	(3,954)	(5,181)	2,646
Net cash flows from/(used in) investing activities		(1,390)	(14,111)	(4,891)	(5,374)	2,617
CASH FLOWS FROM FINANCING ACTIVITIES						
Interest paid		(498)	(68)	(357)	(123)	(336)
Dividends paid		(7,168)	(258)	(54,092)	–	–
New bank loans		2,999	–	39,000	10,000	9,000
Repayment of bank loans		–	(2,999)	(20,000)	–	(19,000)
Repayment of lease liabilities	15	(1,331)	(3,163)	(3,289)	(1,563)	(1,636)
Net cash flows from/(used in) financing activities		(5,998)	(6,488)	(38,738)	8,314	(11,972)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS						
Cash and cash equivalents at beginning of year/period		46,451	72,631	70,811	70,811	88,397
Effect of foreign exchange rate changes, net		1,566	(5,661)	2,818	300	(161)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		72,631	70,811	88,397	64,582	103,852
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances		71,536	69,972	87,509	63,733	102,978
Non-pledged time deposits with original maturity of less than three months when acquired		1,095	839	888	849	874
Cash and cash equivalents as stated in the statements of financial position		72,631	70,811	88,397	64,582	103,852

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	30 June 2019 RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	<i>13</i>	_*
CURRENT ASSET		
Cash and bank balances	<i>23</i>	68
CURRENT LIABILITY		
Due to a subsidiary	<i>13</i>	87
NET CURRENT LIABILITY		(19)
Net liabilities		(19)
EQUITY		
Issued capital	<i>28</i>	_*
Accumulated loss	<i>30</i>	(19)
Total equity		(19)

* Amounts less than RMB1,000

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

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 Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were involved in the following principal activities:

- provision of integrated marketing solutions;
- management and operation of sport events; and
- investments in entertainment projects.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Activation Enterprise Limited (<i>note (a)</i>)	British Virgin Islands 6 March 2019	United States dollar ("US\$") 1	100	–	Investment holding
Activation International Limited ("Activation International") (<i>note (b)</i>)	Hong Kong 31 August 2012	HK\$20,000	–	100	Investment holding
Shanghai Aideweixuan Group Co., Limited ("Activation Group") 上海艾德韋宣股份有限公司 (<i>note (c)</i>)*	PRC/Mainland China 22 November 2013	RMB50,000,000	–	93.0	Provision of experiential marketing service
Activation Events (HK) Limited (<i>note (d)</i>)	Hong Kong 11 July 2013	HK\$6,001,000	–	93.0	Provision of experiential marketing service
Activation Events (Singapore) Pte. Ltd. (<i>note (e)</i>)	Singapore 5 March 2014	SGD10,000	–	93.0	Provision of experiential marketing service
Activation Marketing Solution Limited (<i>note (d)</i>)	Hong Kong 28 October 2015	HK\$1,000	–	93.0	Inactive

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Activation VIA Limited (<i>note (d)</i>)	Hong Kong 24 November 2015	HK\$1,000	–	93.0	Inactive
Beijing Anweixun Business Consulting Co., Limited (“Activation Events BJ”) 北京安維訊商務諮詢有限公司 (<i>note (a)</i>)*	PRC/Mainland China 13 March 2012	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 (<i>note (a)</i>)*	PRC/Mainland China 20 April 2015	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 (<i>note (a)</i>)*	PRC/Mainland China 23 June 2016	RMB60,000,000	–	93.0	Entertainment marketing and program
Shanghai Aideweixuan Digital Technology Co., Limited 上海艾德韋宣數碼科技有限公司 (<i>note (a)</i>)*	PRC/Mainland China 8 July 2016	RMB2,000,000	–	65.1	Provision of digital and brand communication services
Shanghai Aideweixuan Planning Co., Limited 上海艾德韋宣策劃有限公司 (<i>note (a)</i>)*	PRC/Mainland China 10 June 2019	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 (<i>note (f)</i>)*	PRC/Mainland China 7 July 2015	RMB5,000,000	–	74.4	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 (<i>note (f)</i>)*	PRC/Mainland China 29 January 2015	RMB6,660,000	–	83.8	Management and operation of sport events

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Aidi Linjie Cultural Development Co., Limited 上海艾迪霖杰文化發展有限公司 (note (c))*	PRC/Mainland China 30 September 2013	RMB1,000,000	–	93.0	Provision of public relations services
Shanghai Aiwei Culture Communication Co., Limited 上海艾未文化傳播有限公司 (note (a))*	PRC/Mainland China 2 November 2016	RMB10,000,000	–	93.0	Inactive
Shanghai Boming Enterprise Image Planning Co., Limited (“Activation Project 23”) 上海帛銘企業形象策劃有限公司 (note (a))*#	PRC/Mainland China 23 September 2014	RMB833,300	–	55.8	Provision of experiential marketing services
Shanghai Fansi Advertising Co., Limited (“Activation Digital”) 上海范思廣告有限公司 (note (c))*	PRC/Mainland China 11 July 2012	RMB5,000,000	–	93.0	Provision of digital and brand communication services

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

Acquired in November 2017 (note 31).

Notes:

- (a) No audited financial statements have been prepared for these entities for the years ended 31 December 2016, 2017 and 2018 (or since the date of incorporation/registration, where later than the beginning of the Relevant Periods), as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation/registration.
- (b) The statutory financial statements of the entity for the years ended 31 December 2016 and 2017 prepared under Hong Kong Financial Reporting Standard for Private Entities (“HKFRS for PE”) were audited by JMD & PME CPA Limited, certified public accountants registered in Hong Kong, and the statutory financial statements of the entity for the year ended 31 December 2018 prepared under HKFRS for PE were audited by Bright Brilliance CPA Limited, certified public accountants registered in Hong Kong.
- (c) The statutory financial statements of these entities for the year ended 31 December 2016 prepared under PRC Generally Accepted Accounting Principles (“PRC GAAP”) were audited by Baker Tilly China Certified Public Accountants (天職國際會計師事務所), certified public accountants registered in the

PRC, and the statutory financial statements of these entities for the years ended 31 December 2017 and 2018 prepared under PRC GAAP were audited by Zhonglei Certified Public Accountants (中磊會計師事務所), certified public accountants registered in the PRC.

- (d) The statutory financial statements of these entities for the years ended 31 December 2016, 2017 and 2018 prepared under HKFRS for PE were audited by JMD & PME CPA Limited, certified public accountants registered in Hong Kong.
- (e) The statutory financial statements of the entity for the years ended 31 December 2016, 2017 and 2018 prepared under Singapore Financial Reporting Standards were audited by S. L. Lim & Co., certified public accountants registered in Singapore.
- (f) The statutory financial statements of these entities for the years ended 31 December 2017 and 2018 prepared under PRC GAAP were audited by Zhonglei Certified Public Accountants (中磊會計師事務所), certified public accountants registered in the PRC.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 22 July 2019. The Reorganisation mainly involved the incorporation of the Company, inserting new holding entities at the top of an existing group and the transfer of equity interests in Activation Group from certain then shareholders of Activation Group (collectively, the “Relevant Shareholders”) to the Company. The Reorganisation has not resulted in any changes of economic substance of the businesses of the Activation Group and its subsidiaries before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information for the Relevant Periods has been presented as a continuation of Activation Group and its subsidiaries by applying the pooling of interests method as if the Reorganisation had been completed at the beginning of the Relevant Periods.

Accordingly, the combined statements of profit or loss, the combined statements of other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows are prepared as if the current group structure had been in existence throughout the Relevant Periods. The combined statements of financial position as at 31 December 2016, 2017 and 2018, and 30 June 2019 present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at those dates. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

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

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

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provisions, have been adopted/early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information, except for HKFRS 9 *Financial Instruments* (“HKFRS 9”), which had been adopted by the Group from 1 January 2018 as HKFRS 9 does not allow the use of hindsight if it is adopted retrospectively.

The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group recognised transition adjustments against the opening balance of equity at 1 January 2018 and did not restate the financial information for financial years prior to 1 January 2018. Therefore, the financial information from 1 January 2016 to 31 December 2017 which is reported under HKAS 39 *Financial Instruments: Recognition and Measurement* (“HKAS 39”) is not comparable to the information presented for the year ended 31 December 2018 and the six months ended 30 June 2019.

The principal effects of adopting HKFRS 9 are as follows:

The adoption of HKFRS 9 has had no significant impact on the classification and measurement of the Group's financial instruments. The impacts arising from the adoption of HKFRS 9 relate to the impairment requirements.

HKFRS 9 requires an impairment on debt instruments that are not accounted for at fair value through profit or loss to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group has applied the simplified approach and recorded lifetime expected credit losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group has applied the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. Differences arising from the initial adoption of HKFRS 9 have been recognised directly in retained profits as of 1 January 2018 and the affected financial statements items are disclosed below:

Combined Statement of Financial Position	Closing balance at 31 December 2017 (under HKAS 39) RMB'000	Restatement adjustment on adoption of HKFRS 9 RMB'000	Opening balance at 1 January 2018 (under HKFRS 9) RMB'000
Assets			
Trade receivables	189,392	(1,325)	188,067
Prepayments, deposits and other receivables	27,185	(1,300)	25,885
Equity			
Retained earnings	57,581	(2,201)	55,380
Non-controlling interests	21,953	(424)	21,529

The reconciliations of the ending impairment allowances for impairment of trade receivables and other receivables determined in accordance with HKAS 39 to the opening expected credit loss allowance for impairment of trade receivables and other receivables determined in accordance with HKFRS 9 are set out in notes 20 and 21, respectively, to the Historical Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for investments in entertainment projects which have been measured at fair value.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information:

Amendments to HKFRS 3	<i>Definition of a Business</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ¹

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

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

³ No mandatory effective date yet determined but available for adoption

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) 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.

Investments in associates

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

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

Business combinations other than common control combinations

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

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

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the

purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

Fair value measurement

The Group measures certain of its financial asset at fair value through profit or loss 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.

Impairment of non-financial assets

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

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

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

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

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

Leasehold improvements	Over the shorter of the lease terms and 33 $\frac{1}{3}$ %
Furniture, fixtures and equipment	33 $\frac{1}{3}$ %
Computer equipment	33 $\frac{1}{3}$ %
Motor vehicles	25%

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

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

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

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 on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if 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 future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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 (i.e., 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 of low value. 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 (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

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.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

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

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

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

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)*Initial recognition and measurement*

Financial assets of the Group are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

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. These net fair value changes do not include any dividends or interest earned on these financial assets.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment are included in the statement of profit or loss.

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

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 combined 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 (policies under HKFRS 9 applicable from 1 January 2018)

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

General approach

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

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

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

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

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

For trade receivables 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.

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)*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 loans and borrowings

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

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

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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

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

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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.

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries/jurisdictions 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
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, 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, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each 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 tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government 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 profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue from contracts with customers

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

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

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group 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.

Integrated marketing solutions

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

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

(a) Experiential marketing services

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

(b) Digital and brand communication services

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

(c) Public relations services

The Group provides public relations services which involve marketing activities that help the customers promote communication and understanding with consumers. Revenue from public relations services are 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***(a) Sports and entertainment services***

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

Other income

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

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

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring 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 liabilities

A contract liability is the obligation to transfer services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Employee benefits***Equity-settled share-based payment arrangements***

The Group granted certain shares of the holding companies of Activation Group to provide incentives and rewards to the eligible employees of the Group who contribute to the success of the operations/performance of the Group. Certain employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby the employees render services as consideration for equity instruments ("equity-settled transactions").

Under HKFRS 2 *Share-based Payment*, 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 of equity-based compensation is determined by the quoted prices in market, further details of which are given in note 29 to the Historical Financial Information.

The cost of equity-settled transactions as determined in accordance with HKFRS 2 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 under HKFRS 2 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 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.

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.

Pension schemes

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

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

Dividends

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

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

Foreign currencies

The Historical Financial Information is 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 and associates 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 weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information 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 Historical Financial Information:

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 16 to the Historical Financial Information.

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 customers' actual default in the future. The information about the ECLs for the Group's trade receivables is disclosed in note 20 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

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

- (a) Integrated marketing solutions segment
- (b) IP development segment

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

Segment assets exclude deferred tax assets, right-of-use assets, an amount due from a shareholder and corporate and other unallocated assets as these assets are managed on a group basis.

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

Year ended 31 December 2016/At 31 December 2016

	Integrated marketing solutions	IP development	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue (note 5)			
Sales to external customers	358,440	3,374	<u>361,814</u>
Segment results	57,936	(6)	57,930
<i>Reconciliation:</i>			
Corporate and other unallocated expenses, net			(4,286)
Finance costs			<u>(982)</u>
Profit before tax			<u>52,662</u>
Segment assets	206,791	9,101	215,892
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>22,692</u>
Total assets			<u>238,584</u>
Segment liabilities	72,575	2,011	74,586
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>41,892</u>
Total liabilities			<u>116,478</u>
Other segment information			
Depreciation and amortisation	1,132	–	1,132
Reversal of impairment of trade receivables	(204)	–	(204)
Capital expenditure*	1,483	–	1,483

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

Year ended 31 December 2017/At 31 December 2017

	Integrated marketing solutions <i>RMB'000</i>	IP development <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (note 5)			
Sales to external customers	452,914	39,552	<u>492,466</u>
Segment results	53,982	(547)	53,435
<i>Reconciliation:</i>			
Corporate and other unallocated expenses, net			(10,291)
Finance costs			<u>(678)</u>
Profit before tax			<u>42,466</u>
Segment assets	264,094	46,717	310,811
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>30,129</u>
Total assets			<u>340,940</u>
Segment liabilities	119,686	26,178	145,864
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>56,197</u>
Total liabilities			<u>202,061</u>
Other segment information			
Depreciation and amortisation	1,069	1	1,070
Impairment of trade receivables	693	1	694
Capital expenditure*	644	19	663

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

Year ended 31 December 2018/At 31 December 2018

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

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

Six months ended 30 June 2018 (unaudited)

	Integrated marketing solutions <i>RMB'000</i>	IP development <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (note 5)			
Sales to external customers	257,785	–	<u>257,785</u>
Segment results	29,021	(2,705)	26,316
<i>Reconciliation:</i>			
Corporate and other unallocated expenses, net			(1,243)
Finance costs			<u>(373)</u>
Profit before tax			<u>24,700</u>
Segment assets	296,423	39,363	335,786
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>28,494</u>
Total assets			<u>364,280</u>
Segment liabilities	139,433	6,512	145,945
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>65,044</u>
Total liabilities			<u>210,989</u>
Other segment information			
Depreciation and amortisation	468	3	471
Impairment of trade receivables	1,075	3	1,078
Capital expenditure*	311	–	311

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

Six months ended 30 June 2019

	Integrated marketing solutions <i>RMB'000</i>	IP development <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (note 5)			
Sales to external customers	253,586	19,463	<u>273,049</u>
Segment results	41,994	1,484	43,478
<i>Reconciliation:</i>			
Corporate and other unallocated expenses, net			(8,868)
Finance costs			<u>(578)</u>
Profit before tax			<u>34,032</u>
Segment assets	324,739	45,071	369,810
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>17,177</u>
Total assets			<u>386,987</u>
Segment liabilities	158,838	13,045	171,883
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>89,749</u>
Total liabilities			<u>261,632</u>
Other segment information			
Depreciation and amortisation	494	3	497
Impairment of trade receivables	767	–	767
Capital expenditure*	517	–	517

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

Geographical information

(a) Revenue from external customers

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Mainland China	292,821	424,768	605,413	205,030	252,794
Hong Kong/Singapore	68,993	67,698	78,922	52,755	20,255
	<u>361,814</u>	<u>492,466</u>	<u>684,335</u>	<u>257,785</u>	<u>273,049</u>

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

(b) Non-current assets

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Mainland China	11,694	12,576	12,842	12,898
Hong Kong/Singapore	318	8,194	6,295	6,365
	<u>12,012</u>	<u>20,770</u>	<u>19,137</u>	<u>19,263</u>

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

Information about major customers

Revenue from external customers derived from sales by the integrated marketing solutions segment contributing over 10% to the total revenue of the Group for the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2018 and 2019 is as follows:

	Year ended 31 December			Six months ended	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Customer A	N/A*	85,554	N/A*	N/A*	N/A*
Customer B	N/A*	— [#]	N/A*	31,936	N/A*
Customer C	N/A*	N/A*	N/A*	26,257	N/A*
Customer D	N/A*	N/A*	N/A*	N/A*	30,812

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

* Less than 10% of the total revenue of the Group in the respective years/periods

The Group has no transactions with these customers in the respective years/periods

5. REVENUE, OTHER INCOME AND GAINS

An analysis of disaggregation of the Group's revenue from contracts with customers is as follows:

	Year ended 31 December			Six months ended	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(unaudited)</i>					
<u>Revenue from contracts with customers</u>					
Major service lines					
<i>Integrated marketing solutions</i>					
Experiential marketing services	304,340	382,579	514,721	212,267	195,800
Digital and brand communication services	38,504	51,363	108,204	39,261	45,398
Public relations services	15,596	18,972	23,006	6,257	12,388
	358,440	452,914	645,931	257,785	253,586
<i>IP development</i>					
Sports and entertainment services	3,374	39,552	38,404	–	19,463
	361,814	492,466	684,335	257,785	273,049
<u>Revenue from contracts with customers</u>					
(i) Disaggregated revenue information					
Geographical locations					
<i>Integrated marketing solutions</i>					
Mainland China	289,447	385,216	567,009	205,030	233,331
Hong Kong/Singapore	68,993	67,698	78,922	52,755	20,255
	358,440	452,914	645,931	257,785	253,586
<i>IP development</i>					
Mainland China	3,374	39,552	38,404	–	19,463
Total revenue from contracts with customers	361,814	492,466	684,335	257,785	273,049
Timing of revenue recognition					
At a point in time	307,714	422,131	553,125	212,267	215,263
Over time*	54,100	70,335	131,210	45,518	57,786
Total revenue from contracts with customers	361,814	492,466	684,335	257,785	273,049

* Included projects in retainer basis

(i) Disaggregated revenue information (*continued*)

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (unaudited)	2019 RMB'000
Integrated marketing solutions	1,100	356	6,012	5,749	3,192
IP development	–	–	9,938	57	8,285
	<u>1,100</u>	<u>356</u>	<u>15,950</u>	<u>5,806</u>	<u>11,477</u>

(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, where certain payments in advance are normally required.

Digital and brand communication services

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

Public relations services

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

Sports and entertainment services

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

An analysis of other income and gains is as follows:

	Year ended 31 December			Six months ended 30 June	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (unaudited)	2019 RMB'000
<u>Other income and gains</u>					
Bank interest income	93	149	186	118	488
Government grants*	6,156	4,170	6,565	4,060	6,372
Management fee income from a related company (<i>note 33</i>)	525	355	–	–	–
Others	168	237	80	–	112
	<u>6,942</u>	<u>4,911</u>	<u>6,831</u>	<u>4,178</u>	<u>6,972</u>

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

6. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December			Six months ended 30 June	
		2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (unaudited)	2019 RMB'000
Cost of services rendered		226,662	343,171	511,929	187,356	185,387
Depreciation of property, plant and equipment**	14	1,039	974	853	412	438
Depreciation of right-of-use assets**	15	1,319	2,777	2,921	1,383	1,076
Amortisation of intangible assets**	17	93	96	117	59	59
Auditor's remuneration		536	503	527	169	173
Expenses related to short-term leases	15	4,443	2,257	2,323	1,189	1,279
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):						
Wages, salaries, bonuses and allowances		65,536	74,046	83,886	35,621	40,142
Equity-settled share-based payments*		–	7,644	–	–	–
Pension scheme contributions (defined contribution schemes)		2,400	2,583	3,093	1,419	1,693
		<u>67,936</u>	<u>84,273</u>	<u>86,979</u>	<u>37,040</u>	<u>41,835</u>
Fair value losses/(gains) on investments in entertainment projects*		–	4,093	(288)	–	(70)
Loss on disposal of an investment in an associate*		–	–	433	–	–
Impairment/(reversal of impairment) of trade receivables*	20	(204)	694	1,180	1,078	767
Write-off of other receivables*		–	–	269	269	–
Foreign exchange differences, net*		(990)	(48)	(83)	(74)	(30)

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

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

7. FINANCE COSTS

	Note	Year ended 31 December			Six months ended 30 June	
		2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (unaudited)	2019 RMB'000
Interest on bank borrowings		498	68	357	123	336
Unwinding of finance costs on lease liabilities	15	484	610	611	250	242
		<u>982</u>	<u>678</u>	<u>968</u>	<u>373</u>	<u>578</u>

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Executive directors

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

Independent non-executive directors

Ms. Cheung Siu Wan, Mr. Yu Lungjun and Dr. Cheung Wah Keung will be appointed as independent non-executive directors of the Company on 28 November 2019. There were no fees or other emoluments paid or payable to the independent non-executive directors of the Company during the Relevant Periods and six months ended 30 June 2018.

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 Historical Financial Information is set out below:

	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
<u>Year ended 31 December 2016</u>				
Mr. Ng	794	466	8	1,268
Mr. Lau*	672	602	–	1,274
Mr. Chan	502	546	–	1,048
Ms. Low	717	707	–	1,424
	<u>2,685</u>	<u>2,321</u>	<u>8</u>	<u>5,014</u>
<u>Year ended 31 December 2017</u>				
Mr. Ng	1,217	–	8	1,225
Mr. Lau*	1,299	–	–	1,299
Mr. Chan	1,072	–	–	1,072
Ms. Low	1,532	119	4	1,655
	<u>5,120</u>	<u>119</u>	<u>12</u>	<u>5,251</u>

	Salaries and allowances <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
<u>Year ended 31 December 2018</u>				
Mr. Ng	1,091	262	5	1,358
Mr. Lau*	1,275	106	–	1,381
Mr. Chan	1,048	293	–	1,341
Ms. Low	1,535	209	5	1,749
	<u>4,949</u>	<u>870</u>	<u>10</u>	<u>5,829</u>
<u>Six months ended 30 June 2018</u> (unaudited)				
Mr. Ng	540	–	2	542
Mr. Lau*	637	–	–	637
Mr. Chan	524	–	–	524
Ms. Low	762	–	3	765
	<u>2,463</u>	<u>–</u>	<u>5</u>	<u>2,468</u>
<u>Six months ended 30 June 2019</u>				
Mr. Ng	605	–	6	611
Mr. Lau*	637	–	–	637
Mr. Chan	524	–	–	524
Ms. Low	654	–	8	662
	<u>2,420</u>	<u>–</u>	<u>14</u>	<u>2,434</u>

* *Chief executive officer of the Group*

During the Relevant Periods and the six months ended 30 June 2018, 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.

There was no arrangement under which a director or a chief executive waived or agreed to waive any remuneration during the Relevant Periods and the six months ended 30 June 2018.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019 included four, three, four, four and four directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for each of the Relevant Periods and the six months ended 30 June 2018 of the remaining highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, bonuses and allowances	655	2,495	1,892	645	840
Pension scheme contributions (defined contribution schemes)	15	32	15	7	8
	<u>670</u>	<u>2,527</u>	<u>1,907</u>	<u>652</u>	<u>848</u>

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

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
Nil to HK\$1,000,000	1	–	–	1	–
HK\$1,000,001 to HK\$1,500,000	–	1	–	–	1
HK\$1,500,001 to HK\$2,000,000	–	1	–	–	–
HK\$2,000,001 to HK\$2,500,000	–	–	1	–	–
	<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>

During the Relevant Periods and the six months ended 30 June 2018, no emolument was paid or payable by the Group to the non-director and non-chief executive highest paid employees as an inducement to join or upon joining the Group or as compensation for the loss of office.

10. INCOME TAX

Taxes on profits assessable in Mainland China have been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% during the Relevant Periods and the six months ended 30 June 2018.

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% on the estimated assessable profits arising in Hong Kong during the Relevant Periods and the six months ended 30 June 2018.

For the subsidiary incorporated in Singapore, Singapore profits tax has been provided at the rate of 17% on the estimated assessable profits arising in Singapore during the Relevant Periods and the six months ended 30 June 2018.

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June	
	RMB'000	RMB'000	RMB'000	2018	2019
				RMB'000	RMB'000
				<i>(unaudited)</i>	
Current – PRC					
Charge for the year	12,734	16,301	18,479	7,118	9,861
Current – Hong Kong/Singapore					
Charge for the year	2,259	1,686	3,648	885	–
Deferred (<i>note 27</i>)	(820)	(980)	(384)	(45)	1,256
Total tax charge for the year/period	<u>14,173</u>	<u>17,007</u>	<u>21,743</u>	<u>7,958</u>	<u>11,117</u>

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

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June	
	RMB'000	RMB'000	RMB'000	2018	2019
				RMB'000	RMB'000
				<i>(unaudited)</i>	
Profit before tax	<u>52,662</u>	<u>42,466</u>	<u>65,260</u>	<u>24,700</u>	<u>34,032</u>
Tax at the PRC statutory tax rate of 25%	13,166	10,617	16,315	6,175	8,508
Lower tax rates enacted by overseas authorities	(1,087)	(443)	(485)	(476)	(45)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	779	788	2,468	–	1,234
Income not subject to tax	(164)	–	(48)	–	(2)
Expenses not deductible for tax	970	3,839	211	1,479	1,373
Tax losses not recognised	321	2,074	2,905	797	199
Others	188	132	377	(17)	(150)
Tax charge at the Group's effective tax rate	<u>14,173</u>	<u>17,007</u>	<u>21,743</u>	<u>7,958</u>	<u>11,117</u>

11. DIVIDENDS

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

The dividends declared by a subsidiary of the Company to its then shareholders during the Relevant Periods and the six months ended 30 June 2018 are as follows:

	Years ended 31 December			Six months ended	
	2016	2017	2018	30 June	
	RMB'000	RMB'000	RMB'000	2018	2019
				RMB'000	RMB'000
				<i>(unaudited)</i>	
Dividends	<u>18,615</u>	<u>10,063</u>	<u>33,544</u>	<u>–</u>	<u>33,544</u>

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

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of presentation of the results of the Group for the Relevant Periods and the six months ended 30 June 2018 as disclosed in note 2.1 to the Historical Financial Information.

13. INVESTMENT IN A SUBSIDIARY**Company**

**30 June
2019**
RMB'000

Unlisted investment, at cost —*

* Amounts less than RMB1,000

Particulars of the subsidiary, Activation Enterprise Limited, are disclosed in note 1 to the Historical Financial Information.

The balance with a subsidiary is non-trade related, unsecured, interest-free and repayable on demand.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Computer equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2016					
At 1 January 2016:					
Cost	387	529	2,425	832	4,173
Accumulated depreciation	(155)	(358)	(1,635)	(382)	(2,530)
Net carrying amount	<u>232</u>	<u>171</u>	<u>790</u>	<u>450</u>	<u>1,643</u>
At 1 January 2016, net of accumulated depreciation					
Additions	275	136	702	294	1,407
Depreciation provided for the year	(180)	(135)	(543)	(181)	(1,039)
Exchange realignment	6	31	11	—	48
At 31 December 2016, net of accumulated depreciation	<u>333</u>	<u>203</u>	<u>960</u>	<u>563</u>	<u>2,059</u>
At 31 December 2016:					
Cost	612	680	3,148	1,020	5,460
Accumulated depreciation	(279)	(477)	(2,188)	(457)	(3,401)
Net carrying amount	<u>333</u>	<u>203</u>	<u>960</u>	<u>563</u>	<u>2,059</u>

	Leasehold improvements <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Computer equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2017					
At 1 January 2017:					
Cost	612	680	3,148	1,020	5,460
Accumulated depreciation	(279)	(477)	(2,188)	(457)	(3,401)
Net carrying amount	<u>333</u>	<u>203</u>	<u>960</u>	<u>563</u>	<u>2,059</u>
At 1 January 2017, net of accumulated depreciation					
Additions	97	48	414	–	559
Acquisition of a subsidiary (note 31)	–	–	11	–	11
Depreciation provided for the year	(85)	(119)	(537)	(233)	(974)
Exchange realignment	(1)	(1)	(6)	–	(8)
At 31 December 2017, net of accumulated depreciation	<u>344</u>	<u>131</u>	<u>842</u>	<u>330</u>	<u>1,647</u>
At 31 December 2017:					
Cost	696	712	3,554	1,020	5,982
Accumulated depreciation	(352)	(581)	(2,712)	(690)	(4,335)
Net carrying amount	<u>344</u>	<u>131</u>	<u>842</u>	<u>330</u>	<u>1,647</u>
31 December 2018					
At 1 January 2018:					
Cost	696	712	3,554	1,020	5,982
Accumulated depreciation	(352)	(581)	(2,712)	(690)	(4,335)
Net carrying amount	<u>344</u>	<u>131</u>	<u>842</u>	<u>330</u>	<u>1,647</u>
At 1 January 2018, net of accumulated depreciation					
Additions	187	46	838	–	1,071
Disposal	–	–	(5)	–	(5)
Depreciation provided for the year	(57)	(86)	(571)	(139)	(853)
Exchange realignment	–	(1)	6	–	5
At 31 December 2018, net of accumulated depreciation	<u>474</u>	<u>90</u>	<u>1,110</u>	<u>191</u>	<u>1,865</u>
At 31 December 2018:					
Cost	896	763	4,270	1,020	6,949
Accumulated depreciation	(422)	(673)	(3,160)	(829)	(5,084)
Net carrying amount	<u>474</u>	<u>90</u>	<u>1,110</u>	<u>191</u>	<u>1,865</u>

	Leasehold improvements <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Computer equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
30 June 2019					
At 1 January 2019:					
Cost	896	763	4,270	1,020	6,949
Accumulated depreciation	(422)	(673)	(3,160)	(829)	(5,084)
Net carrying amount	<u>474</u>	<u>90</u>	<u>1,110</u>	<u>191</u>	<u>1,865</u>
At 1 January 2019, net of accumulated depreciation					
Additions	107	22	331	–	460
Depreciation provided for the period	(33)	(16)	(319)	(70)	(438)
Exchange realignment	2	(1)	(2)	–	(1)
At 30 June 2019, net of accumulated depreciation	<u>550</u>	<u>95</u>	<u>1,120</u>	<u>121</u>	<u>1,886</u>
At 30 June 2019:					
Cost	999	782	4,592	1,020	7,393
Accumulated depreciation	(449)	(687)	(3,472)	(899)	(5,507)
Net carrying amount	<u>550</u>	<u>95</u>	<u>1,120</u>	<u>121</u>	<u>1,886</u>

15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	As at 31 December			As at 30 June 2019
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>
At 1 January	515	9,851	10,663	10,057
Additions during the year/period	10,655	3,589	2,593	5,604
Termination of a lease	–	–	(278)	–
Depreciation provided for the year/period	(1,319)	(2,777)	(2,921)	(1,076)
At 31 December/30 June	<u>9,851</u>	<u>10,663</u>	<u>10,057</u>	<u>14,585</u>
At 31 December/30 June:				
Cost	11,170	14,759	16,947	22,551
Accumulated depreciation	(1,319)	(4,096)	(6,890)	(7,966)
Net carrying amount	<u>9,851</u>	<u>10,663</u>	<u>10,057</u>	<u>14,585</u>

The right-of-use assets represent the Group's rights to use the underlying leased premises over the lease terms, which are stated at cost less accumulated depreciation, and adjusted for any remeasurement of the lease liabilities.

Lease liabilities

Amounts recognised in the combined statements of financial position

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
At 1 January	551	10,370	11,421	11,045
Additions during the year/period	10,655	3,589	2,593	5,604
Termination of a lease	–	–	(306)	–
Interest charged to profit or loss (note 7)	484	610	611	242
Payments during the year/period	(1,331)	(3,163)	(3,289)	(1,636)
Exchange realignment	11	15	15	–
	<u>10,370</u>	<u>11,421</u>	<u>11,045</u>	<u>15,255</u>
Carrying amount at end of year/period	10,370	11,421	11,045	15,255
Less: current portion	(1,243)	(3,231)	(1,651)	(3,516)
	<u>9,127</u>	<u>8,190</u>	<u>9,394</u>	<u>11,739</u>
Non-current portion	9,127	8,190	9,394	11,739

Amounts recognised in the combined statements of profit or loss

	Notes	Year ended 31 December			Six months ended	
		2016	2017	2018	30 June	2019
		RMB'000	RMB'000	RMB'000	2018	2019
					RMB'000	RMB'000
					(unaudited)	
Interest on lease liabilities	7	484	610	611	250	242
Expenses related to short-term leases	6	4,443	2,257	2,323	1,189	1,279
		<u>4,927</u>	<u>2,867</u>	<u>2,934</u>	<u>1,439</u>	<u>1,521</u>

Amounts recognised in the combined statements of cash flows

	Year ended 31 December			Six months ended 30	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Total cash outflow for leases	<u>1,331</u>	<u>3,163</u>	<u>3,289</u>	<u>1,563</u>	<u>1,636</u>

16. GOODWILL

	RMB'000
Cost and carrying amount at 1 January 2016, 31 December 2016 and 1 January 2017	9,164
Acquisition of a subsidiary (note 31)	<u>1,069</u>
Cost and carrying amount at 31 December 2017, 1 January 2018, 31 December 2018, 1 January 2019 and 30 June 2019	<u>10,233</u>

Impairment testing of goodwill

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

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

Experiential marketing cash-generating unit

The recoverable amount of the experiential marketing cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets/forecasts covering a five-year period approved by senior management. The discount rates applied to the cash flow projections are 14%, 14%, 14% and 14% for the recoverable amount, which are determined by reference to the average rates for similar industries and the business risks of the relevant business units, as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively. Same discount rate was adopted during the Relevant Periods due to management considered that no significant changes in the underlying internal and external factors that would affect the determination of the discount rate. The growth rates used to extrapolate the cash flows of the experiential marketing unit beyond the five-year period are 3%, 3%, 3% and 3% for the recoverable amount, which applied similar long term growth rate of experiential marketing industry, as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively. Same terminal growth rate was adopted during the Relevant Periods due to management considered that no significant changes in the long term market development that would affect the determination of the terminal growth rate. The cash flow projections are determined based on past performance and management's expectations for market development.

Based on the results of the goodwill impairment testing, which was conducted by applying a discount rate of 14% as at 31 December 2016, 2017, 2018 and 30 June 2019, the estimated recoverable amounts of experiential marketing cash-generating unit exceeded its carrying amounts by approximately RMB34.0 million, RMB63.9 million, RMB80.6 million and RMB80.6 million, respectively. If discount rates of 30%, 41%, 42% and 42% were applied as at 31 December 2016, 2017, 2018 and 30 June 2019, or if there was a decrease of 19%, 9%, 20% and 20% in the revenue growth rates for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019, the recoverable amounts of the experiential marketing cash-generating unit would be approximately equal to its carrying amounts as at 31 December 2016, 2017 and 2018 and 30 June 2019.

Digital and brand communication cash-generating unit

The recoverable amount of the digital and brand communication cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets/forecasts covering a five-year period approved by senior management. The discount rates applied to the cash flow projections are 14%, 14%, 14% and 14% for the recoverable amount, which are determined by reference to the average rates for similar industries and the business risks of the relevant business units, as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively. Same discount rate was adopted during the Relevant Periods due to management considered that no significant changes in the underlying internal and external factors that would affect the determination of the discount rate. The growth rates used to extrapolate the cash flows of the digital and brand communication unit beyond the five-year period are 3%, 3%, 3% and 3% for the recoverable amount, which applied similar long term growth rate of digital marketing industry, as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively. Same terminal growth rate was adopted during the Relevant Periods due to management considered that no significant changes in the long term market development that would affect the determination of the terminal growth rate. The cash flow projections are determined based on past performance and management's expectations for market development.

Based on the results of the goodwill impairment testing, which was conducted by applying a discount rate of 14% as at 31 December 2016, 2017, 2018 and 30 June 2019, the estimated recoverable amounts of digital and brand communication cash-generating unit exceeded its carrying amounts by approximately RMB89.3 million, RMB105.2 million, RMB147.2 million and RMB147.2 million, respectively. If discount rates of 139%, 88%, 93% and 93% were applied as at 31 December 2016, 2017, 2018 and 30 June 2019, or if there was a decrease of 39%, 12%, 43% and 43% in the revenue growth rates for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019, the recoverable amounts of the digital and brand communication cash-generating unit would be approximately equal to its carrying amounts as at 31 December 2016, 2017 and 2018 and 30 June 2019.

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

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Experiential marketing cash-generating unit:				
Activation Events BJ*	7,734	7,734	7,734	7,734
Activation Project 23	–	1,069	1,069	1,069
Digital and brand communication cash-generating unit:				
Activation Digital	1,430	1,430	1,430	1,430
Carrying amount	9,164	10,233	10,233	10,233

* Prior to the acquisition, Activation Events BJ was jointly controlled by three individual shareholders including Mr. Lau, Mr. Ng and Mr. So Tung, which are not the same controlling parties of the Group. Hence this is a business combination that fall in scope within HKFRS 3 *Business combination*. Accordingly, this acquisition was accounted for under acquisition method in accordance with HKFRS 3 *Business combination*.

Assumptions were used in the value in use calculation of the experiential marketing and digital and brand communication cash-generating units for 31 December 2016, 2017 and 2018 and 30 June 2019, respectively. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

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

17. INTANGIBLE ASSETS

	Computer software <i>RMB'000</i>
31 December 2016	
At 1 January 2016:	
Cost	370
Accumulated amortisation	(64)
	<u>306</u>
Net carrying amount	<u>306</u>
Cost at 1 January 2016, net of accumulated amortisation	306
Additions	76
Amortisation provided during the year	(93)
	<u>289</u>
At 31 December 2016	<u>289</u>
At 31 December 2016:	
Cost	446
Accumulated amortisation	(157)
	<u>289</u>
Net carrying amount	<u>289</u>
31 December 2017	
Cost at 1 January 2017, net of accumulated amortisation	289
Additions	104
Amortisation provided during the year	(96)
	<u>297</u>
At 31 December 2017	<u>297</u>
At 31 December 2017:	
Cost	550
Accumulated amortisation	(253)
	<u>297</u>
Net carrying amount	<u>297</u>
31 December 2018	
Cost at 1 January 2018, net of accumulated amortisation	297
Additions	52
Amortisation provided during the year	(117)
	<u>232</u>
At 31 December 2018	<u>232</u>
At 31 December 2018:	
Cost	602
Accumulated amortisation	(370)
	<u>232</u>
Net carrying amount	<u>232</u>

	Computer software RMB'000
30 June 2019	
Cost at 1 January 2019, net of accumulated amortisation	232
Additions	57
Amortisation provided during the period	(59)
	<u>230</u>
At 30 June 2019	<u>230</u>
At 30 June 2019:	
Cost	659
Accumulated amortisation	(429)
	<u>230</u>
Net carrying amount	<u>230</u>

18. INVESTMENTS IN ASSOCIATES

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Share of net assets	<u>500</u>	<u>8,335</u>	<u>6,524</u>	<u>6,561</u>

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Beijing Aide Zhongxin Exhibition Co., Limited* 北京艾德眾信展覽有限公司	Ordinary shares	PRC/Mainland China	30% (note (i))	Provision of stage decoration and production services
Chengrun Huashang (Beijing) Culture Media Co., Limited ("Chengrun Huashang")* 誠潤華尚(北京)文化傳媒有限公司	Ordinary shares	PRC/Mainland China	30% (note (ii))	Provision of artist management services
Stufish Asia Limited ("Stufish Asia")	Ordinary shares	Hong Kong	41.65% (2017: 49%) (note (iii))	Provision of live entertainment services

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

Notes:

- (i) The Group disposed of its entire equity interest in June 2017 to an independent third party for a consideration of approximately RMB501,000.

- (ii) The Group acquired 30% equity interest in December 2017 from an independent third party for a consideration of RMB600,000.
- (iii) The Group invested 49% equity interest in February 2017 amounting to approximately HK\$9,600,000 (equivalent to RMB8,337,000) and disposed 7.35% equity interest in November 2018 with nil consideration to certain senior management of the Group.

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

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

Stufish Asia is considered as a material associate of the Group and is accounted for using the equity method in the Historical Financial Information.

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

	As at 31 December		As at 30 June
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Current assets	11,640	27,937	14,321
Non-current assets	8,544	8,958	8,757
Current liabilities	(4,398)	(22,703)	(8,799)
Net assets	<u>15,786</u>	<u>14,192</u>	<u>14,279</u>
Reconciliation to the Group's interest in the associate:			
Portion of the Group's ownership	49%	41.65%	41.65%
Group's share of net assets of the associate	7,735	5,911	5,947
Carrying amount of the investment	<u>7,735</u>	<u>5,911</u>	<u>5,947</u>

	Year ended 31 December		Six months ended 30 June	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	2,573	87,083	15,474	61,496
Profit/(loss) and total comprehensive income/(loss) for the year/period	<u>(1,228)</u>	<u>(2,816)</u>	<u>(2,196)</u>	<u>88</u>

Stufish Asia was in its start-up phase of operation in 2017 and 2018. According to the profit forecast prepared by management, Stufish Asia will realise sustainable profit in the near future. The directors of the Company were of the opinion that the recoverable amount of it was higher than the carrying amount as at 31 December 2017, 31 December 2018 and 30 June 2019, and hence no provision for impairment was necessary for the investment in Stufish Asia.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Share of the associates' profit for the year/period	<u>16</u>	<u>-</u>	<u>13</u>	<u>-</u>	<u>1</u>
Aggregate carrying amount of the Group's investments in the associates	<u>500</u>	<u>600</u>	<u>613</u>	<u>614</u>	<u>614</u>

19. INVESTMENTS IN ENTERTAINMENT PROJECTS

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Investments in entertainment projects, at fair value	–	2,958	7,200	4,624
Classified as non-current assets	–	(258)	(283)	(353)
Current assets	–	2,700	6,917	4,271

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

For the year ended 31 December 2017

As appropriate under HKAS 39, the Group's investments in entertainment projects were classified as financial assets at fair value through profit or loss either because they were designated as such upon initial recognition or the Group was unable to measure the fair value of their embedded derivative and, therefore the hybrid (combined) instrument was designated as at fair value through profit or loss at 31 December 2017.

Investments in entertainment projects at 31 December 2017 were designated upon initial recognition as at fair value through profit or loss if they fitted the Group's investment strategy. In the opinion of the directors of the Company, such measurement basis was then appropriate under HKAS 39 as such investments at 31 December 2017 were managed and their performance were evaluated on a fair value basis, in accordance with a documented investment strategy which also focused on such fair value attributes, and information about the investments were provided internally on that basis to the Group's key management personnel.

For the year ended 31 December 2018 and the six months ended 30 June 2019

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

20. TRADE RECEIVABLES

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Billed receivables	51,048	65,192	113,224	93,688
Impairment	(419)	(1,113)	(3,618)	(4,385)
Unbilled receivables	50,629	64,079	109,606	89,303
	53,306	125,313	149,041	118,814
	103,935	189,392	258,647	208,117

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 is generally ranging 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:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Within 1 month	28,051	24,036	69,760	30,994
1 to 3 months	12,283	35,164	22,695	40,407
Over 3 months	10,295	4,879	17,151	17,902
	<u>50,629</u>	<u>64,079</u>	<u>109,606</u>	<u>89,303</u>

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

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
At beginning of year/period	623	419	1,113	3,618
Effect of adoption of HKFRS 9 (note 2.2)	<u>–</u>	<u>–</u>	<u>1,325</u>	<u>–</u>
At beginning of year/period (as restated)	623	419	2,438	3,618
Impairment/(reversal of impairment) (note 6)	<u>(204)</u>	<u>694</u>	<u>1,180</u>	<u>767</u>
At end of year/period	<u>419</u>	<u>1,113</u>	<u>3,618</u>	<u>4,385</u>

Impairment under HKFRS 9 for the year ended 31 December 2018 and the six months ended 30 June 2019

An impairment analysis was performed at 31 December 2018 and 30 June 2019 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, customer type and rating). The calculation reflects the probability-weighted outcome and reasonable and supportable information that was 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 2018

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

As at 30 June 2019

	Current	Past due			Over 1 year	Total
		Less than 1 month	1 to 3 months	3 months to 1 year		
Expected credit loss rate	0.03%	0.03%	0.47%	6.33%	100%	2.06%
Gross carrying amount (RMB'000)	194,599	3,721	8,470	1,516	4,196	212,502
Expected credit losses (RMB'000)	52	1	40	96	4,196	4,385

Impairment under HKAS 39 for the years ended 31 December 2016 and 31 December 2017

Included the above provision for impairment of trade receivables at 31 December 2016 and 31 December 2017, which was measured based on incurred credit losses under HKAS 39, was a provision for individually impaired trade receivables of RMB419,000 and RMB1,113,000 with a carrying amount before provision of RMB419,000 and RMB1,113,000, respectively.

The individually impaired trade receivables as at 31 December 2016 and 31 December 2017 related to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade receivables as at 31 December 2016 and 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2016 RMB'000	2017 RMB'000
Neither past due nor impaired	35,150	54,419
Less than 1 month past due	5,195	4,517
1 to 3 months past due	4,639	2,070
Over 3 months past due	5,645	3,073
	<u>50,629</u>	<u>64,079</u>

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at 30 June 2019
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000
Prepayments	16,839	16,364	13,418	27,032
Deposits	1,169	1,977	2,095	2,976
Other receivables	9,655	8,844	5,312	5,248
Deferred listing expenses	—	—	—	1,847
	<u>27,663</u>	<u>27,185</u>	<u>20,825</u>	<u>37,103</u>
Impairment	—	—	(1,300)	(1,300)
	<u>27,663</u>	<u>27,185</u>	<u>19,525</u>	<u>35,803</u>

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

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
At beginning of year/period	–	–	–	1,300
Effect of adoption of HKFRS 9 (note 2.2)	–	–	1,300	–
	<u>–</u>	<u>–</u>	<u>1,300</u>	<u>–</u>
	<u>–</u>	<u>–</u>	<u>1,300</u>	<u>1,300</u>

Impairment under HKFRS 9 for the year ended 31 December 2018 and the six months ended 30 June 2019

Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default. As at 31 December 2018 and 30 June 2019, the probability of default applied ranged from 16% to 26.7% and the loss given default was estimated to be in the range of 0% to 100%. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

Impairment under HKAS 39 for the years ended 31 December 2016 and 31 December 2017

None of the above financial assets included in the above balances was either past due or impaired and there was no recent history of default.

22. DUE FROM A SHAREHOLDER

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

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

	At beginning of the year/period RMB'000	Maximum amount outstanding during the year/period RMB'000	At end of the year/period RMB'000
31 December 2016	<u>–</u>	<u>11,543</u>	<u>11,543</u>
31 December 2017	<u>11,543</u>	<u>17,429</u>	<u>17,429</u>
31 December 2018	<u>17,429</u>	<u>17,429</u>	<u>–</u>
30 June 2019	<u>–</u>	<u>–</u>	<u>–</u>

23. CASH AND CASH EQUIVALENTS

	Group			Company	
	As at 31 December			As at	
	2016	2017	2018	30 June	
	RMB'000	RMB'000	RMB'000	2019	
				RMB'000	
Cash and bank balances	71,536	69,972	87,509	102,978	68
Time deposits	1,095	839	888	874	–
Cash and cash equivalents	<u>72,631</u>	<u>70,811</u>	<u>88,397</u>	<u>103,852</u>	<u>68</u>

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

	Group			Company	
	As at 31 December			As at	
	2016	2017	2018	30 June	
	RMB'000	RMB'000	RMB'000	2019	
				RMB'000	
RMB	57,140	61,754	76,068	89,664	–
Others	15,491	9,057	12,329	14,188	68
Cash and cash equivalents	<u>72,631</u>	<u>70,811</u>	<u>88,397</u>	<u>103,852</u>	<u>68</u>

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

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

24. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Within 1 month	35,097	88,418	144,992	74,554
1 to 3 months	19,137	15,552	13,035	48,227
Over 3 months	5,376	10,691	5,046	27,068
	<u>59,610</u>	<u>114,661</u>	<u>163,073</u>	<u>149,849</u>

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

25. OTHER PAYABLES AND ACCRUALS

	Notes	As at 31 December			As at
		2016	2017	2018	30 June
		RMB'000	RMB'000	RMB'000	2019
					RMB'000
Contract liabilities	(a)	356	15,950	14,076	9,858
Dividend payable		15,030	26,772	12,680	52,680
Other payables and accruals	(b)	18,415	19,466	29,154	18,349
		<u>33,801</u>	<u>62,188</u>	<u>55,910</u>	<u>80,887</u>

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:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Integrated marketing solutions	356	6,012	5,712	7,858
IP development	–	9,938	8,364	2,000
	<u>356</u>	<u>15,950</u>	<u>14,076</u>	<u>9,858</u>

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

26. INTEREST-BEARING BANK BORROWINGS

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Current				
Bank borrowings repayable within one year or on demand – unsecured	2,999	–	19,000	9,000
	<u>2,999</u>	<u>–</u>	<u>19,000</u>	<u>9,000</u>

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

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
RMB	–	–	19,000	9,000
HK\$	2,999	–	–	–
	<u>2,999</u>	<u>–</u>	<u>19,000</u>	<u>9,000</u>

As at 31 December 2016, the bank borrowings bore interest at the Hong Kong Interbank Offered Rate/London Interbank Offered Rate plus 3.25% per annum.

At 31 December 2018, the bank borrowings bore interest at the Bank of China's Loan Prime Rate plus 0.475% per annum.

At 30 June 2019, the bank borrowings bore interest at a fixed rate of 5.0025% per annum.

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the bank borrowings of the Group containing a repayment on demand clause have been classified in total as current liabilities. For the purpose of the above analysis, the bank borrowings are analysed into bank borrowings repayable within one year or on demand.

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the Group had aggregate banking facilities amounting to approximately RMB42,156,000, RMB6,687,000, RMB42,030,000 and RMB9,000,000, respectively, of which aggregate amounts of RMB2,999,000, nil, RMB19,000,000 and RMB9,000,000 were utilised as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively.

Mr. Ng and Mr. Lau have provided personal guarantees (the "Personal Guarantees") for the Group's banking facilities during the Relevant Periods.

The relevant banks have agreed to the arrangement of releasing all the Personal Guarantees provided by Mr. Ng and Mr. Lau would be replaced by guarantees from the Company upon the listing of the shares of the Company on the Main Board of the Stock Exchange.

27. DEFERRED TAX

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

Deferred tax liabilities

	<i>Note</i>	Timing differences on lease liabilities and right-of-use assets RMB'000
At 1 January 2016		–
Deferred tax charged to profit or loss during the year	<i>10</i>	(129)
At 31 December 2016 and 1 January 2017		(129)
Deferred tax charged to profit or loss during the year	<i>10</i>	(61)
At 31 December 2017 and 1 January 2018		(190)
Deferred tax charged to profit or loss during the year	<i>10</i>	(60)
At 31 December 2018 and 1 January 2019		(250)
Deferred tax credited to profit or loss during the period	<i>10</i>	82
At 30 June 2019		(168)

Deferred tax assets

	<i>Note</i>	Accruals <i>RMB'000</i>	Impairment of financial assets <i>RMB'000</i>	Deferred income <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2016		–	–	–	–
Deferred tax credited to profit or loss during the year	<i>10</i>	835	114	–	949
At 31 December 2016 and 1 January 2017		835	114	–	949
Deferred tax credited to profit or loss during the year	<i>10</i>	(835)	170	1,706	1,041
At 31 December 2017 and 1 January 2018		–	284	1,706	1,990
Deferred tax credited to profit or loss during the year	<i>10</i>	–	620	(176)	444
At 31 December 2018 and 1 January 2019		–	904	1,530	2,434
Deferred tax charged to profit or loss during the period	<i>10</i>	–	192	(1,530)	(1,338)
At 30 June 2019		–	1,096	–	1,096

The Group had tax losses arising in Mainland China of approximately RMB1,375,000, RMB9,672,000, RMB21,291,000 and RMB22,088,000 as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively, that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of the tax losses as at 31 December 2016, 2017 and 2018 and 30 June 2019 as the directors of the Company consider it is currently not probable that future taxable profits will be available against which the tax losses can be utilised.

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

At 31 December 2016, 2017 and 2018 and 30 June 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future to their foreign shareholders. The aggregate amount of temporary differences associated with the investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately RMB50,844,000, RMB74,139,000, RMB80,724,000 and RMB73,257,000 at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively.

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

28. SHARE CAPITAL

On 27 February 2019, the Company was incorporated as an exempted company with limited liability incorporated in the Cayman Islands with authorised share capital of HK\$380,000 divided into 3,800,000 ordinary shares of HK\$0.1 each. Upon incorporation, 100 ordinary share of HK\$0.001 was issued at par for cash.

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

29. EQUITY-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS**Awarded Shares**

The Group has granted certain shares of the holding companies of Activation Group (the "Awarded Shares") to provide incentives and rewards to the certain eligible directors/employees of the Group who contribute to the success of the operations/performance of the Group.

During the year ended 31 December 2017, 8,489,742 Awarded Shares were granted to eligible employees of the Group. The fair value of the Awarded Shares granted during the year ended 31 December 2017 was RMB7,644,000, of which the Group recognised a share-based payment expense of the same amount. The grant date fair value of the Awarded Shares is determined based on the fair value of the ordinary shares of Activation Group.

30. RESERVES**Group**

The amounts of the Group's reserves and the movements therein for each of the Relevant Periods and six months ended 30 June 2018 are presented in the combined statements of changes in equity on pages I-9 to I-13 of this report.

(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

The other reserve represents the difference between the investment cost and the nominal value of the registered capital of Activation Group prior to the Reorganisation as disclosed in note 2.1 to the Historical Financial Information.

Company

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

	Accumulated loss <i>RMB'000</i>
At 27 February 2019 (date of incorporation)	–
Loss for the period	(19)
	<hr/>
At 30 June 2019	(19)
	<hr/> <hr/>

31. BUSINESS COMBINATION

On 1 May 2017, the Group entered into certain agreements with independent third parties to acquire a 60% equity interest in Activation Project 23, at an aggregate consideration of approximately RMB3,100,000 and the transaction was completed on 10 November 2017. The acquisition was made as part of the Group's strategy to expand its market share of the marketing business of luxury brands. The purchase consideration for the acquisition was satisfied in the form of cash, with RMB2,000,000 paid on 13 October 2017 and the remaining RMB1,100,000 paid on 21 November 2017.

The Group has elected to initially measure the non-controlling interest in Activation Project 23 at the non-controlling interest's proportionate share of Activation Project 23's identifiable net assets.

The fair values of the identifiable assets and liabilities of Activation Project 23 as at the date of acquisition were as follows:

	<i>Note</i>	Fair value recognised on acquisition <i>RMB'000</i>
Property, plant and equipment	14	11
Trade receivables		2,933
Prepayments, deposits and other receivables		1,523
Cash and cash equivalents		4,990
Trade payables, other payables and accruals		(6,073)
		<hr/>
Total identifiable net assets at fair value		3,384
Non-controlling interests		(1,353)
Goodwill on acquisition		1,069
		<hr/>
Satisfied by cash		3,100
		<hr/> <hr/>

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB2,933,000 and RMB1,020,000, respectively. The amount of the contractual cash flows of RMB3,953,000 at the acquisition date is expected to be collectible.

The Group incurred transaction costs of RMB87,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the combined statement of profit or loss.

As a result of this business combination, goodwill of RMB1,069,000 was recorded in the Group's combined statement of financial position. The goodwill arising from the acquisition pertains, but is not limited, to the expected synergies arising from the acquisition.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	<i>RMB'000</i>
Cash consideration	(3,100)
Cash and cash equivalents acquired	<u>4,990</u>
Net inflow of cash and cash equivalents included in cash flows from investing activities	1,890
Transaction costs of the acquisition included in cash flows from operating activities	<u>(87)</u>
	<u><u>(1,803)</u></u>

Since the acquisition, Activation Project 23 contributed RMB1,518,000 to the Group's revenue and RMB238,000 to the combined profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year ended 31 December 2017, the revenue from the Group and the profit of the Group for that year would have been RMB508,637,000 and RMB26,329,000, respectively.

32. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities

	Lease liabilities <i>RMB'000</i>	Interest-bearing bank borrowings <i>RMB'000</i>
At 1 January 2016	551	–
Changes from financing cash flows	(1,331)	2,999
New leases entered during the year	10,655	–
Unwinding of finance costs on lease liabilities	484	–
Foreign exchange movement	<u>11</u>	<u>–</u>
At 31 December 2016 and at 1 January 2017	10,370	2,999
Changes from financing cash flows	(3,163)	(2,999)
New leases entered during the year	3,589	–
Unwinding of finance costs on lease liabilities	610	–
Foreign exchange movement	<u>15</u>	<u>–</u>
At 31 December 2017 and at 1 January 2018	11,421	–
Changes from financing cash flows	(3,289)	19,000
New leases entered during the year	2,593	–
Unwinding of finance costs on lease liabilities	611	–
Write-off	(306)	–
Foreign exchange movement	<u>15</u>	<u>–</u>
At 31 December 2018 and at 1 January 2019	11,045	19,000
Changes from financing cash flows	(1,636)	(10,000)
New leases entered during the period	5,604	–
Unwinding of finance costs on lease liabilities	<u>242</u>	<u>–</u>
At 30 June 2019	<u><u>15,255</u></u>	<u><u>9,000</u></u>

33. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in this report, the Group had the following transactions with related parties during the Relevant Periods and the six months ended 30 June 2018:

	Notes	Year ended 31 December			Six months ended 30 June	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					<i>(unaudited)</i>	
Related companies:						
Expenses relating to						
Short-term leases	(i)	2,071	2,045	2,045	1,023	1,125
Management fees						
received	(ii)	525	355	–	–	–
Associate:						
Cost of sales	(iii)	13,722	10,495	–	–	–

Notes:

- (i) Rentals were charged in accordance with tenancy agreements entered into between the relevant parties. A director of the Company during the Relevant Periods has a beneficial equity interest in the related company.
- (ii) The management fees were based on terms agreed between the relevant parties. A director of the Company has a beneficial equity interest in the related company.
- (iii) The cost of sales with an associate, Beijing Aide Zhongxin Exhibition Co., Limited, was based on terms agreed between the relevant parties.
- (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 Historical Financial Information, is as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Short-term employee					
benefits	9,359	11,263	12,487	4,759	5,278
Post-employment benefits	95	105	106	49	65
Total compensation paid					
to key management					
personnel	9,454	11,368	12,593	4,808	5,343

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets*31 December 2016*

	Loans and receivables <i>RMB'000</i>
Trade receivables	103,935
Financial assets included in prepayments, deposits and other receivables	10,824
Due from a shareholder	11,543
Cash and cash equivalents	72,631
	<u>198,933</u>

31 December 2017

	Financial assets designated upon initial recognition at fair value through profit or loss <i>RMB'000</i>	Loans and receivables <i>RMB'000</i>	Total <i>RMB'000</i>
Trade receivables	–	189,392	189,392
Investments in entertainment projects	2,958	–	2,958
Financial assets included in prepayments, deposits and other receivables	–	10,821	10,821
Due from a shareholder	–	17,429	17,429
Cash and cash equivalents	–	70,811	70,811
	<u>2,958</u>	<u>288,453</u>	<u>291,411</u>

31 December 2018

	Financial assets designated upon initial recognition at fair value through profit or loss <i>RMB'000</i>	Financial assets at amortised cost <i>RMB'000</i>	Total <i>RMB'000</i>
Trade receivables	–	258,647	258,647
Investments in entertainment projects	7,200	–	7,200
Financial assets included in prepayments, deposits and other receivables	–	6,107	6,107
Cash and cash equivalents	–	88,397	88,397
	<u>7,200</u>	<u>353,151</u>	<u>360,351</u>

30 June 2019

	Financial assets designated upon initial recognition at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	208,117	208,117
Investments in entertainment projects	4,624	–	4,624
Financial assets included in prepayments, deposits and other receivables	–	6,924	6,924
Cash and cash equivalents	–	103,852	103,852
	<u>4,624</u>	<u>318,893</u>	<u>323,517</u>

Financial liabilities

31 December 2016

	Financial liabilities at amortised cost RMB'000
Trade payables	59,610
Financial liabilities included in other payables and accruals	16,252
Interest-bearing bank borrowings	2,999
Lease liabilities	10,370
	<u>89,231</u>

31 December 2017

	Financial liabilities at amortised cost RMB'000
Trade payables	114,661
Financial liabilities included in other payables and accruals	29,454
Lease liabilities	11,421
	<u>155,536</u>

31 December 2018

	Financial liabilities at amortised cost <i>RMB'000</i>
Trade payables	163,073
Financial liabilities included in other payables and accruals	15,733
Interest-bearing bank borrowings	19,000
Lease liabilities	11,045
	<u>208,851</u>

30 June 2019

	Financial liabilities at amortised cost <i>RMB'000</i>
Trade payables	149,849
Financial liabilities included in other payables and accruals	54,909
Interest-bearing bank borrowings	9,000
Lease liabilities	15,255
	<u>229,013</u>

35. 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			As at
	As at 31 December			30 June
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets				
Investments in entertainment projects	–	2,958	7,200	4,624
	<u>–</u>	<u>2,958</u>	<u>7,200</u>	<u>4,624</u>
	Fair values			As at
	As at 31 December			30 June
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets				
Investments in entertainment projects	–	2,958	7,200	4,624
	<u>–</u>	<u>2,958</u>	<u>7,200</u>	<u>4,624</u>

At the end of each of the Relevant Periods, the carrying amounts of the Group's other financial assets and financial liabilities reasonably approximate to their fair values.

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

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

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

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

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2017

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss:				
Investments in entertainment projects	–	–	2,958	2,958

As at 31 December 2018

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

As at 30 June 2019

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss:				
Investments in entertainment projects	–	–	4,624	4,624

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

	Year ended 31 December		Six months ended 30 June
	2017 RMB'000	2018 RMB'000	2019 RMB'000
Financial assets at fair value through profit or loss:			
At 1 January	–	2,958	7,200
Additions	7,051	5,181	–
Net gain/(loss) recognised in profit or loss	(4,093)	288	70
Settlements	–	(1,227)	(2,646)
At 31 December/30 June	<u>2,958</u>	<u>7,200</u>	<u>4,624</u>

The Group did not have any financial liabilities measured at fair value as at the Relevant Periods.

During the Relevant Periods, 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.

The fair value of the financial asset at fair value through profit or loss was estimated using the income approach (discounted cash flow method) which made reference to the estimated net future cash flows from the entertainment projects. A 2% increase/decrease in discount rate would result in increase/decrease in fair value by approximately RMB7,000 and RMB51,000 as at 31 December 2017 and 2018, respectively. The fair value of the financial asset at fair value through profit or loss as at 30 June 2019 was estimated with reference to the net proceeds receivable from an online drama attributable to the Group.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax for the years ended 31 December 2016 2017 and 2018, and the six months ended 30 June 2019 (through the impact on floating rate interest-bearing bank borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
Year ended 31 December 2016		
HK\$	50 (50)	(150) 150
Year ended 31 December 2018		
RMB	50 (50)	(950) 950
Period ended 30 June 2019		
RMB	50 (50)	(450) 450

The directors of the Company consider the Group's exposure to interest rate risk as at 31 December 2017 was not significant.

Credit risk

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

Maximum exposure and year-end/period-end staging as at 31 December 2018 and 30 June 2019

The table 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/period-end staging classification as at 31 December 2018 and 30 June 2019. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000			
As at 31 December 2018						
Trade receivables*	–	–	–		262,265	262,265
Financial assets included in prepayments, deposits and other receivables						
– Normal**	2,537	–	–		–	2,537
– Doubtful**	–	4,870	–		–	4,870
Cash and cash equivalents						
– Not yet past due	88,397	–	–		–	88,397
	<u>90,934</u>	<u>4,870</u>	<u>–</u>		<u>262,265</u>	<u>358,069</u>

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000			
As at 30 June 2019						
Trade receivables*	–	–	–		212,502	212,502
Financial assets included in prepayments, other receivables and other assets						
– Normal**	3,354	–	–		–	3,354
– Doubtful**	–	4,870	–		–	4,870
Cash and cash equivalents						
– Not yet past due	103,852	–	–		–	103,852
	<u>107,206</u>	<u>4,870</u>	<u>–</u>		<u>212,502</u>	<u>324,578</u>

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

** 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”.

Maximum exposure as at 31 December 2016 and 2017

The credit risk of the Group's financial assets, which comprise trade receivables, deposits and other receivables, an amount due from a shareholder and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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

	As at 31 December			As at
	2016	2017	2018	30 June
	%	%	%	2019
Trade receivables from:				%
The largest debtor	15	26	12	11
The five largest debtors	<u>50</u>	<u>58</u>	<u>38</u>	<u>35</u>

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

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 each of the Relevant Periods, based on the contractual undiscounted payments.

	On demand <i>RMB'000</i>	Less than 1 year <i>RMB'000</i>	1 to 10 years <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2016				
Trade payables	–	59,610	–	59,610
Financial liabilities included in other payables and accruals	–	16,252	–	16,252
Interest-bearing bank borrowings	2,999	–	–	2,999
Lease liabilities	–	1,694	11,180	12,874
	<u>2,999</u>	<u>77,556</u>	<u>11,180</u>	<u>91,735</u>
	On demand <i>RMB'000</i>	Less than 1 year <i>RMB'000</i>	1 to 10 years <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2017				
Trade payables	–	114,661	–	114,661
Financial liabilities included in other payables and accruals	–	29,454	–	29,454
Lease liabilities	–	3,731	9,857	13,588
	<u>–</u>	<u>147,846</u>	<u>9,857</u>	<u>157,703</u>
	On demand <i>RMB'000</i>	Less than 1 year <i>RMB'000</i>	1 to 10 years <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2018				
Trade payables	–	163,073	–	163,073
Financial liabilities included in other payables and accruals	–	15,733	–	15,733
Interest-bearing bank borrowings	19,000	–	–	19,000
Lease liabilities	–	2,376	11,411	13,787
	<u>19,000</u>	<u>181,182</u>	<u>11,411</u>	<u>211,593</u>
	On demand <i>RMB'000</i>	Less than 1 year <i>RMB'000</i>	1 to 10 years <i>RMB'000</i>	Total <i>RMB'000</i>
30 June 2019				
Trade payables	–	149,849	–	149,849
Financial liabilities included in other payables and accruals	–	54,909	–	54,909
Interest-bearing bank borrowings	9,000	–	–	9,000
Lease liabilities	–	4,182	13,756	17,938
	<u>9,000</u>	<u>208,940</u>	<u>13,756</u>	<u>231,696</u>

As at 31 December 2016, 2017 and 2018 and six months ended 30 June 2019, the above interest-bearing bank borrowings with carrying amounts of approximately RMB2,999,000, nil, RMB19,000,000 and RMB9,000,000, respectively, contain repayment on demand clause giving to the banks the unconditional right to call in the borrowings at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as “on demand”.

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

In accordance with the terms of the bank borrowings which contain repayment on demand clause, the maturity profile of the bank borrowings as at the end of each of the Relevant Periods, based on the contractual undiscounted payments and ignoring the effect of any repayment on demand clause, is as follows:

	Year ended 31 December			Six months ended
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Less than 1 year	3,066	–	19,316	9,353

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 Relevant Periods.

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

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Interest-bearing bank borrowings (note 26)	2,999	–	19,000	9,000
Lease liabilities (note 15)	10,370	11,421	11,045	15,255
Total debt	13,369	11,421	30,045	24,255
Total equity	122,106	138,879	142,602	125,355
Gearing ratio (%)	10.9	8.2	21.1	19.3

37. EVENTS AFTER THE RELEVANT PERIODS

On 22 July 2019, 99,999,900 ordinary shares of the Company was issued at HK\$0.001 per share.

As part of the Reorganisation, Activation International entered into an equity transfer agreement (the "Agreement") with one of the then shareholders of Activation Group (the "Shareholder") on 26 July 2019. Pursuant to the Agreement, the Group acquired 9.14% equity interest in Activation Group from the Shareholder at a cash consideration of approximately RMB73,132,000 (the "Acquisition").

On 2 September 2019, a subsidiary of the Company entered into a loan agreement (the "Loan Agreement") with an independent third party for a loan of HK\$60,000,000 for financing the settlement of part of the consideration payable by the Group pursuant to the Acquisition. The loan bears interest at 15% per annum with a term of 6 months and is secured by the issued shares of a subsidiary, shares of the Company held by certain shareholders of the Company, and guarantee of certain directors of the Company.

On 10 September 2019, the Group disposed of an associate, Chengrun Huashang, to an independent third party for a consideration of RMB1,200,000. It is expected that the financial impact on the disposal of the associate will not be significant.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 30 June 2019.

The following information sets out in this appendix does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted combined net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the combined net tangible assets of the Group attributable to owner of the parent as if the Global Offering had taken place on 30 June 2019.

This unaudited pro forma statement of adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group had the Global Offering been completed as at 30 June 2019 or any future dates:

	Combined net tangible assets of the Group attributable to the owners of the parent as at 30 June 2019 RMB'000 (Note 1)	Estimated net proceed from the Global Offering RMB'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the parent as at 30 June 2019 RMB'000	Unaudited pro forma adjusted combined net tangible assets per share	
				RMB (Note 3)	HK\$ (Note 4)
Based on the Offer Price of HK\$2.34 per Share	94,578	379,644	474,222	0.59	0.66
Based on the Offer Price of HK\$1.71 per Share	94,578	269,792	364,370	0.46	0.51

Notes:

- (1) The combined net tangible assets attributable to owner of the parent as at 30 June 2019 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the combined equity attributable to owner of the parent as at 30 June 2019 of approximately RMB105,041,000 with adjustments for goodwill of RMB10,233,000 and intangible assets of RMB230,000.

- (2) The estimated net proceeds from the Global Offering are based on Offer Price of HK\$1.71 per Share and HK\$2.34 per Share, after deduction of the underwriting fees and other listing related expenses payable by the Company (excluding approximately RMB5.5 million which have been paid or become payable up to 30 June 2019) and does not take into account of any shares which may be issued upon the exercise of the Over-allotment options. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK\$1.0 to RMB0.8988.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 800,000,000 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option and issued upon the exercise of any share option that maybe granted under the Share Option Scheme.
- (4) The unaudited pro forma adjusted combined net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.0 to RMB0.8988.
- (5) The unaudited pro forma adjusted combined net tangible assets does not take into account for the effects arising from the acquisition of 9.14% non-controlling interest of the Group subsequent to the end of the reporting period.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus, in respect of the Group's pro forma financial information.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Activation Group Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Activation Group Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma combined net tangible assets as at 30 June 2019 and related notes as set out on pages II-1 to II-2 of the prospectus dated 31 December 2019 issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Section A of Appendix II to the prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 30 June 2019 as if the transaction had taken place at 30 June 2019. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the six months ended 30 June 2019, on which an accountants’ report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

31 December 2019

Set out below is a summary of certain provisions of the memorandum and articles of association of our Company and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The memorandum of association provides that our Company's objects are unrestricted. The objects of our Company are set out in Clause 3 of the memorandum of association which is available for inspection at the address and during the period specified in the section headed "Appendix V – A. Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection – B. Documents Available for Inspection". As an exempted company, our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The Articles of Association were adopted on 19 December 2019. The following is a summary of certain provisions of the Articles.

(a) Directors

(i) Power to allot and issue shares

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether in regard to dividend, voting, return of capital or otherwise, as our Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine) and any preference shares may be issued with voting rights on the terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of our Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of our Company on such terms as they may from time to time determine.

All unissued shares in our Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) Power to dispose of the assets of our Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries although the Directors may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or relevant statutes of the Cayman Islands to be exercised or done by our Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director or past Director is contractually or statutorily entitled) must be approved by our Company in general meeting.

(iv) Loans and the giving of security for loans to Directors

Where the shares of our Company remain listed on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, our Company may not make, without the approval of, or ratification by, our Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of our Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80 per cent. of the fair market value of such residence nor 5 per cent. of the consolidated net asset value of our Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which our Company has an equity interest, and the amount of such loan, or the liability assumed by our Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) Financial assistance to purchase shares of our Company or its holdings company

There are no provisions in the Articles relating to the giving by our Company of financial assistance for the purchase, subscription or other acquisition of shares of our Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

(vi) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors may

also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with our Company or any other company in which our Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company, he must declare the nature of his or, as the case may be, his close associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his close associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his close associate(s) (as defined in the Articles) is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

- (aa) any contract or arrangement for the giving to the Director or his close associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him at the request of or for the benefit of our Company;
- (bb) any contract or arrangement for the giving by our Company of any security or indemnity to a third party in respect of a debt or obligation of our Company or any company in which our Company has an interest for which the Director or his close associate(s) has himself/themselves guaranteed or secured in whole or in part;

- (cc) any contract or arrangement by a Director or his close associate(s) to subscribe for shares or debentures or other securities of our Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his close associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;
- (dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by our Company for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of our Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;
- (ff) any proposal or arrangement for the benefit of employees of our Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his close associate(s) and employees of our Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, close associate(s) of Directors and employees of our Company or any of its subsidiaries and does not give the Director or his close associate(s) any privilege not accorded to the class of persons to whom such scheme or fund relates;
- (gg) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by our Company to, or for the benefit of, the employees of our Company or its subsidiaries under which the Director or his close associate(s) may benefit; and
- (hh) any contract, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his close associate(s), officer or employee pursuant to the Articles.
- (ii) any proposal concerning any other company in which the Director or his close associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his close associate(s) is/are beneficially interested in shares of that company, provided that the

Director and any of his close associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his close associates is derived) or of the voting rights.

(vii) Remuneration

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the ordinary remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in our Company except in the case of sums paid or payable in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of our Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds or personal pension plans for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of our Company, or of any company which is a subsidiary of our Company, or is allied or associated with our Company or with any such subsidiary company, or who are or were at any time directors or officers of our Company or of any such other company as aforesaid, and holding or

who have held any salaried employment or office in our Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

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) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire will be those who have been longest in office since their last re-election at appointment but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and our Company). Subject to the statutes and the provisions of the Articles, our Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following general meeting of our Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy/vice chairman, managing director, joint managing director, deputy managing director or executive director of our Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge

any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of our Company.

(x) Qualification shares

Directors of our Company are not required under the Articles to hold any qualification shares.

(xi) Indemnity to Directors

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) Alterations to constitutive documents

The memorandum of association of our Company may be altered by our Company in general meeting. The Articles may also be amended by our Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of our Company.

(c) Alterations of capital

Our Company may from time to time by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Directors may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to our Company for our Company's benefit;
- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- (v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares;
- (vi) change the currency of denomination of its share capital; and
- (vii) make provision for the issue and allotment of shares which do not carry any voting rights.

Our Company may by special resolution reduce its share capital or undistributable reserve in any manner authorised and subject to any conditions prescribed by law. Our Company may apply its share premium account in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions – majority required

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives, or by proxy, at a general meeting of which notice has been duly given in accordance with the Article 2(i) below for further details.

(f) Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of our Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of our Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

(g) Requirements for annual general meetings

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of our Company are listed with the permission of our Company.

(h) Accounts and audit

The Directors shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by law or are necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of our Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of our Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by our Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

The Directors shall from time to time cause to be prepared and laid before our Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in our Company are listed on the Stock Exchange, the accounts of our Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of our Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before our Company at its annual

general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, our Company and every other person entitled to receive notices of general meetings of our Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from our Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of our Company and the directors' report thereon may, if he so requires by notice in writing served on our Company, demand that our Company sends to him, in addition to a summary financial statement, a complete printed copy of our Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures or other securities of our Company are for the time being (with the consent of our Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

At the annual general meeting in each year, the members shall appoint one or more firms of auditors to hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of the term of office and shall by ordinary resolution at that meeting appoint another auditor in its place for the remainder of his term. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of our Company at each annual general meeting, but in respect of any particular year, our Company in general meeting may delegate the fixing of such remuneration to the Directors.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice shall specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business.

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of our Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Directors fails to proceed to convene

such meeting, the requisitionist(s) himself/herself (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 Directors shall be reimbursed to the requisitionist(s) by our Company.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in our Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Directors and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

The Directors may in their absolute discretion, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which our Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with our Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to

make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do). The Directors may also decline to recognise any instrument of transfer unless such sum, if any, (not exceeding, in the case of any share capital listed on a stock exchange in Hong Kong, HK\$2.50 or such other sum as may from time to time be allowed or not prohibited under the rules of the relevant stock exchange in Hong Kong, and, in the case of any other capital, such sum in such currency as the Directors may from time to time determine to be reasonable in the territory in which the relevant register is situate, or such other sum as our Company may by Ordinary Resolution determine) as the Directors shall from time to time determine has been paid.

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for our Company to purchase its own shares

The Articles provide that the power of our Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law and the articles in respect of a purchase of redeemable shares.

(l) Power of any subsidiary to own securities in our Company

There are no provisions in the Articles relating to ownership of securities in our Company by a subsidiary.

(m) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. Our Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other monies payable on or in respect of a share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or other money payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Whenever the Directors or our Company in general meeting have resolved that a dividend be paid or declared on the share capital of our Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

Our Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or our Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to our Company and, in the case where any of the same are securities of our Company, may be re-allotted or re-issued for such consideration as the Directors think fit and the proceeds thereof shall accrue to the benefit of our Company absolutely.

(n) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of our Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of our Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

(o) Corporate representatives

A corporate member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) Calls on shares and forfeiture of shares

The Directors may from time to time make such calls as they may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

(q) Inspection of register of members

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of our Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if our Company were incorporated under and is subject to the Companies Ordinance (Cap. 622) of the laws of Hong Kong.

(r) Inspection of register of Directors

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of our Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy (whatever the number of shares held by them).

(t) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of our Company under Cayman Islands company law as summarised in paragraph 4(e) below.

(u) Procedures on liquidation

A resolution for a court or voluntary winding up of our Company must be passed by way of a special resolution.

If our Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If our Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of our Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) Untraceable members

Our Company may sell the shares of any member if: (i) dividends or other distributions have been declared by our Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) our Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of our Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) our Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) our Company has notified the stock exchange on which the ordinary share capital of our Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to our Company and upon the receipt of such net proceeds by our Company, our Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(w) Stock

Our Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denomination. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the

stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such rights, privileges or advantages shall be conferred by an amount of stock which would not, if existing in shares, have conferred such rights, privileges or advantages. All such of the provisions of the Articles as are applicable to fully paid up shares shall apply to stock, and the words “share” and “shareholder” and “member” therein shall include “stock” and “stockholder” and “member”.

(x) Other provisions

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which our Company issued shall remain exercisable and our Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of our Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of our Company may be altered by our Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles or to change the name of our Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of our Company as, being entitled to do so, vote in person or, in the case of such members which are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than 21 clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of not less than 21 clear days' notice and not less than ten (10) clear business days notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together representing not less than 95 per cent. of the total voting rights at the meeting of all the members.

4. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

- (i) in paying distributions or dividends to members;
- (ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (iii) in redeeming or purchasing its shares as provided in the Companies Law; or
- (iv) in writing off
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. Purchases and redemptions may only be effected out of the profits of the company or the share premium account of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(f) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and

discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, our Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law of the Cayman Islands, an undertaking that in the event of any change to the foregoing, our Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of our Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the minutes, accounts or, in the case of any exempted company, the register of members. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands. The register of members shall contain such particulars as required by Section 40 of the Companies Law. The register of

mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. A copy of the register of Directors must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(l) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of our company or have rights to appoint or remove a majority of the directors of our company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of our Company are listed on the Stock Exchange, our Company is not required to maintain a beneficial ownership register.

(m) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles of association expires, or the event occurs on the occurrence of which the memorandum or articles of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon

the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

(n) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("**ES Law**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is our Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as our Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

5. GENERAL

Conyers Dill & Pearman, our Company's legal advisers on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Appendix V – Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection – B. Documents Available for Inspection". Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 27 February 2019.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant laws and regulations of the Cayman Islands and our constitution which comprises a Memorandum and the Articles. A summary of the relevant laws and regulations of the Cayman Islands and of our Company's constitution is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company*(a) Changes in share capital*

- (i) As at the date of incorporation of our Company, the authorised share capital was HK\$380,000 divided into 3,800,000 shares having a par value of HK\$0.10 each.
- (ii) On 12 April 2019, pursuant to a resolution passed by our then sole Shareholder, each of 3,800,000 shares in the authorised share capital was sub-divided into 100 Shares such that the authorised share capital of our Company was HK\$380,000 divided into 380,000,000 Shares having a par value of HK\$0.001 each.
- (iii) The authorised share capital of our Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of 9,620,000,000 new Shares pursuant to a resolution passed by our Shareholders referred to in paragraph 3 below and subject to the conditions contained therein.
- (iv) Immediately following completion of the Global Offering and Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and upon the exercise of the Over-allotment Option, our authorised share capital will be HK\$10,000,000 divided into 10,000,000,000 Shares, of which 800,000,000 Shares will be issued fully paid or credited as fully paid, and 9,200,000,000 Shares will remain unissued.
- (v) Other than pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Controlling Shareholders over us.

Save as disclosed herein and in the paragraphs headed “3. Resolutions in writing of our Shareholders passed on 19 December 2019” and “4. Group reorganisation” of this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of our Shareholders passed on 19 December 2019

By resolutions in writing of our Shareholders passed on 19 December 2019:

- (a) we approved and adopted the amended and restated Articles of Association;
- (b) we approved and adopted the amended and restated Memorandum of Association with effect upon the increase of the authorised share capital of our Company becoming effective as set out in the resolution in paragraph (c)(i) below;
- (c) conditional upon (aa) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
 - (i) the authorised share capital of our Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of 9,620,000,000 new Shares;
 - (ii) the Global Offering and the grant of the Over-allotment Option by our Company were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Other Information – 16. Share Option Scheme” of this Appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;

- (iv) conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise HK\$500,000 standing to the credit of the share premium account of our Company by applying that sum in paying up in full at par 500,000,000 Shares for allotment and issue to the holders of Shares whose names appear on the register of members of our Company at the close of business on 19 December 2019 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company and so that the Shares be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;
- (v) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Global Offering or upon the exercise of the Over-allotment Option, an aggregate number of Shares not exceeding the sum of (aa) 20% of the aggregate number of Shares in issue immediately following completion of the Global Offering and Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and (bb) the aggregate number of Shares which may be purchased by us pursuant to the authority granted to our Directors as referred to in subparagraph (vi) below, until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association, the Companies Law or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first;
- (vi) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed or recognised by the SFC and the Stock Exchange for this purpose with an aggregate number of Shares not exceeding 10% of the aggregate number of Shares in issue immediately following the completion of the Global Offering and Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association, the Companies Law or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

- (vii) the extension of the general mandate to allot, issue and deal with Shares to include the number of Shares which may be purchased or repurchased pursuant to paragraph (vi) above; and
- (viii) the form and substance of each of the service agreements made between our executive Directors and our Company, and the form and substance of each of the appointment letters made between each of our independent non-executive Directors with our Company were approved.

4. Group reorganisation

The companies comprising our Group underwent reorganisation to rationalise our Group's structure in preparation for the listing of the Shares on the Stock Exchange, details of which are set out in the section headed "History, Reorganisation and Corporate Structure – The Reorganisation".

5. Changes in share capital of our subsidiaries

Our subsidiaries are listed in the Accountants' Report set out in Appendix I to this prospectus.

In addition to the alterations described in the section headed "History, Reorganisation and Corporate Structure – The Reorganisation", the following alteration in the share capital of each of our Company's subsidiaries took place within the two years immediately preceding the date of this prospectus:

Activation Events Shanghai was established by Activation Group as a limited liability company established under the laws of the PRC on 10 June 2019 with an initial registered capital of RMB10 million. As at the Latest Practicable Date, RMB20,000 of the registered capital of Activation Events Shanghai had been paid up.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Further information about our Group's PRC establishment

Our Group has interest in the registered capital of the following companies established in the PRC. A summary of the corporate information as at the Latest Practicable Date of each of those companies is set out as follows:

(a) *Activation Group*

- (i) Name of the enterprise: Activation Group
- (ii) Economic nature: Joint stock limited company

- (iii) Registered owner: (1) Activation International (93%)
(2) Yuyao Investment (7%)
- (iv) Registered capital: RMB50,000,000
- (v) Attributable interest to our Group: 93%
- (vi) Term of operation: From 22 November 2013 to infinite
- (vii) Scope of business: Design, production, agency, publication of various types of advertisement within and outside of PRC; photography and video-taking services; computer graphic design and production; cultural and art exchange planning; film and TV planning consultation; commercial information consultation; corporate image planning; marketing and sales planning; public relation activities planning; corporate management consultation; event services (except organising and undertaking). (Projects subject to approval according to the law may be operated after approval by relevant departments)

(b) Activation Project 23

- (i) Name of the enterprise: Activation Project 23
- (ii) Economic nature: Limited liability company
- (iii) Registered owner: (1) Activation Group (60%)
(2) Zhang Ying (40%)
- (iv) Registered capital: RMB833,300
- (v) Attributable interest to our Group: 55.8%
- (vi) Term of operation: From 23 September 2014 to infinite

- (vii) Scope of business: Corporate image planning; cultural and art exchange planning; commercial information consultation; conference services; etiquette services; wedding services, photography and video-taking services; design and production of various types of advertisement; publication of advertisement through self-owned media; graphic design and production; art design; stage lighting design; landscape design. (Projects subject to approval according to the law may be operated after approval by relevant departments)

(c) *Activation Entertainment*

- (i) Name of the enterprise: Activation Entertainment
- (ii) Economic nature: Limited liability company
- (iii) Registered owner: Activation Group
- (iv) Registered capital: RMB60,000,000
- (v) Attributable interest to our Group: 93%
- (vi) Term of operation: From 23 June 2016 to 22 June 2036
- (vii) Scope of business: Cultural and art exchange planning; marketing and sales planning; corporate management consultation; commercial information consultation; sports competition and event planning; conference services; design, production, agency and publication of various types of advertisement. (Projects subject to approval according to the law may be operated after approval by relevant departments)

(d) *Activation Insight*

- (i) Name of the enterprise: Activation Insight
- (ii) Economic nature: Limited liability company

- (iii) Registered owner: (1) Activation Group (70%)
(2) Huayuan Data Technology (Shanghai) Co., Ltd. (華院數據技術(上海)有限公司) (30%)
- (iv) Registered capital: RMB2,000,000
- (v) Attributable interest to our Group: 65.1%
- (vi) Term of operation: From 8 July 2016 to 7 July 2036
- (vii) Scope of business: Digital technology operation; internet technology; technical development of computer information technology; technical consultation; technical services; technical transfer; design, production, agency and publication of various types of advertisement; real estate agency; commercial information consultation; corporate management consultation; marketing and sales planning. (Projects subject to approval according to the law may be operated after approval by relevant departments)

(e) Activation PR

- (i) Name of the enterprise: Activation PR
- (ii) Economic nature: Limited liability company
- (iii) Registered owner: Activation Group
- (iv) Registered capital: RMB1,000,000
- (v) Attributable interest to our Group: 93%
- (vi) Term of operation: From 30 September 2013 to 29 September 2033

- (vii) Scope of business: Cultural and art exchange planning; exhibition services; conference services; etiquette services; corporate image planning; marketing and sales planning; corporate management consultation; commercial communication consultation; public relations event planning; stage art and image planning; signage design; commercial information consultation; wholesale and retail of handcrafted gift. (Projects subject to approval according to the law may be operated after approval by relevant departments)

(f) Activation Events BJ

- (i) Name of the enterprise: Activation Events BJ
- (ii) Economic nature: Limited liability company
- (iii) Registered owner: Activation Group
- (iv) Registered capital: RMB10,000,000
- (v) Attributable interest to our Group: 93%
- (vi) Term of operation: From 13 March 2012 to 12 March 2042
- (vii) Scope of business: Commercial information consultation; corporate management and investment consultation; corporate image planning; marketing and sales planning; conference services; graphic design production. (Corporate may choose and operate projects on its own according to law; projects subject to approval according to law may be operated after approval by relevant departments; not allowed to carry out projects which are prohibited and restricted by the industrial policies of the city)

(g) Activation Digital

- (i) Name of the enterprise: Activation Digital
- (ii) Economic nature: Limited liability company
- (iii) Registered owner: Activation Group
- (iv) Registered capital: RMB5,000,000
- (v) Attributable interest to our Group: 93%
- (vi) Term of operation: From 11 July 2012 to infinite
- (vii) Scope of business: Design, production, agency and publication of various types of advertisement; computer graphic design and production; exhibition services; marketing and sales planning; corporate management consultation; commercial communication consultation; photography and video-taking services; cultural and art exchange planning and consultation; conference services; digital commerce services (not allowed to engage in value-added telecommunication and financial business); real estate agency; technical development, consultation and services in computer information technology; import and export of products and techniques; sale of knitted goods, clothes and accessories, shoes and hat wear, leather goods, luggage, cosmetic bag, daily necessities, household items, labour products, office stationery, sports items, telecommunication equipment, metal and household appliances, sale of computer, software and auxiliary equipment; wholesale of electrical appliances (except projects prohibited and restricted against foreign invested enterprise). (Projects subject to approval according to the law may be operated after approval by relevant departments)

(h) Aiwei Culture

- (i) Name of the enterprise: Aiwei Culture
- (ii) Economic nature: Limited liability company
- (iii) Registered owner: Activation Group
- (iv) Registered capital: RMB10,000,000
- (v) Attributable interest to our Group: 93%
- (vi) Term of operation: From 2 November 2016 to 1 November 2046
- (vii) Scope of business: Cultural and art exchange event planning; marketing and sales planning; corporate management consultation; commercial communication consultation; sports event planning; exhibition services; conference services; performance agency; design, production and agency of various types of advertisement. (Projects subject to approval according to the law may be operated after approval by relevant departments)

(i) Activation Sports Development

- (i) Name of the enterprise: Activation Sports Development
- (ii) Economic nature: Limited liability company
- (iii) Registered owner:
 - (1) Activation Group (80%)
 - (2) Zou Cheng (10%)
 - (3) Ms. Zhou (10%)
- (iv) Registered capital: RMB5,000,000
- (v) Attributable interest to our Group: 74.4%
- (vi) Term of operation: From 7 July 2015 to 6 July 2045

- (vii) Scope of business: Sports competition and event planning; cultural and art exchange planning; corporate sales planning; conference services (except organising and undertaking); sports consultation (not allowed to engage in agency); health information consultation (not allowed to engage in diagnosis and psychological consultation); fitness services; wholesale of outdoor sports products, fitness equipment, daily necessities, electrical appliances, domestic electrical appliances, stationery, clothes, shoes and hat wear; design and production of various types of advertisement; property management. (Projects subject to approval according to the law may be operated after approval by relevant departments)

(j) *Activation Sports Management*

- (i) Name of the enterprise: Activation Sports Management
- (ii) Economic nature: Limited liability company
- (iii) Registered owner: (1) Activation Group (90.09%)
(2) Ms. Zhou (9.91%)
- (iv) Registered capital: RMB6,660,000
- (v) Attributable interest to our Group: 83.8%
- (vi) Term of operation: From 29 January 2015 to 28 January 2045
- (vii) Scope of business: Sports competition and event planning; cultural and art exchange planning; corporate sales planning; conference services; sports consultation; nutrition and health consultation services; fitness services; wholesale of sports products, daily necessities, electrical appliances, domestic electrical appliances, stationery, clothes, shoes and hat wear; design, production, agency and publication of various types of advertisement; property management. (Projects subject to approval according to the law may be operated after approval by relevant departments)

(k) Activation Advertising

- (i) Name of the enterprise: Activation Advertising
- (ii) Economic nature: Limited liability company
- (iii) Registered owner: Activation Group
- (iv) Registered capital: RMB10,000,000
- (v) Attributable interest to our Group: 93%
- (vi) Term of operation: From 20 April 2015 to 19 April 2045
- (vii) Scope of business: Design, production and agency of various types of advertisement; corporate management consultation; commercial information consultation; marketing and sales planning; import and export of products and techniques. (Projects subject to approval according to the law may be operated after approval by relevant departments)

(l) Activation Events Shanghai

- (i) Name of the enterprise: Activation Events Shanghai
- (ii) Economic nature: Limited liability company
- (iii) Registered owner: Activation Group
- (iv) Registered capital: RMB10,000,000
- (v) Attributable interest to Our Group: 93%
- (vi) Term of operation: From 10 June 2019 to 9 June 2049

- (vii) Scope of business: Corporate image planning, marketing and sales planning, public relation activities planning, design, production, agency, publication of various types of advertisement, photography and video-taking services, computer graphic design, cultural and art exchange planning, commercial communication consultation, corporate management consultation, event services. (Projects subject to approval according to law may be operated after approval by relevant departments)

7. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution in writing passed by our Shareholders on 19 December 2019, the Repurchase Mandate was given to our Directors authorising any repurchase by us of Shares on the Stock Exchange or any other stock exchange on which our securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the number of Shares in issue immediately following completion of the Global Offering but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme, such mandate to expire at the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association or applicable law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Under the Cayman Islands laws, any repurchases by us may be made out of our profits or out of the proceeds of a fresh issue of Shares made

for the purpose of the repurchase or from sums standing to the credit of our share premium account or, if so authorised by the Articles of Association and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of us or from sums standing to the credit of our share premium account or, if authorised by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

(c) *Reasons for repurchases*

Our Directors believe that it is in the best interest of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit our Company and the Shareholders as a whole.

(d) *Funding of repurchases*

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles of Association, Listing Rules and the applicable laws of the Cayman Islands.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared to the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or our gearing levels which, in the opinion of our Directors, are from time to time appropriate for us.

(e) *General*

The exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after the Listing, would result in up to 80,000,000 Shares being repurchased by us during the period in which the Repurchase Mandate remains in force.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

8. Registration under Part 16 of the Companies Ordinance

Our Company has established our principal place of business in Hong Kong for the purpose of registration under Part 16 of the Companies Ordinance at 11/F, Gold Union Commercial Building, No. 70-72 Connaught Road West, Hong Kong. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 15 October 2019. Ms. So has been appointed as authorised representative of our Company for the acceptance of service of process in Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

9. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the equity transfer agreement dated 22 July 2019 entered into between Activation International as transferee and Aide Zhongxin as transferor in relation to the transfer of 8.5277% equity interest in Activation Group at the cash consideration of RMB14,500,000;
- (b) the equity transfer agreement dated 22 July 2019 entered into between Activation International as transferee and Shanghai Xingui as transferor in relation to the transfer of 2% equity interest in Activation Group at the cash consideration of RMB3,400,000;

- (c) the equity transfer agreement dated 22 July 2019 entered into between Activation International as transferee and Dongzheng Dingrui as transferor in relation to the transfer of 1.5% equity interest in Activation Group at the cash consideration of RMB2,550,000;
- (d) the equity transfer agreement dated 22 July 2019 entered into between Activation International as transferee and Ms. Rong as transferor in relation to the transfer of 0.5% equity interest in Activation Group at the cash consideration of RMB850,000;
- (e) the equity transfer agreement dated 22 July 2019 entered into between Activation International as transferee and Activation One as transferor in relation to the transfer of 6% equity interest in Activation Group at the cash consideration of RMB10,200,000;
- (f) the equity transfer agreement dated 22 July 2019 entered into between Activation International as transferee and New Margin as transferor in relation to the transfer of 3.623% equity interest in Activation Group at the cash consideration of RMB6,160,000;
- (g) the subscription agreement dated 22 July 2019 entered into between Aide Zhongxin, Shanghai Xingui, Dongzheng Dingrui, Shanghai Rongyi, Activation One, New Margin as subscribers and our Company in relation to the subscription by each of Aide Zhongxin, Shanghai Xingui, Dongzheng Dingrui, Shanghai Rongyi, Activation One, New Margin for 10,169,151 Shares, 2,384,971 Shares, 1,788,729 Shares, 596,243 Shares, 7,154,911 Shares and 4,320,383 Shares respectively at the cash consideration of RMB14,500,000, RMB3,400,000, RMB2,550,000, RMB850,000, RMB10,200,000 and RMB6,160,000 respectively;
- (h) the capital increase agreement dated 6 June 2019 entered into between Aide Zhongxin, Shanghai Xingui, Dongzheng Dingrui, Shanghai Rongyi, New Margin, Activation Investment and our Company (as supplemented by the supplemental capital increase agreement dated 19 July 2019 entered into among the same parties) in relation to the capital increase in our Company by way of subscription of Shares, as to 28.2% by Brightly Sky, 25.7% by Aurora Activation, 19.6% by Activation Investment, 10.2% by Aide Zhongxin, 7.2% by Activation One, 4.3% by New Margin, 2.4% by Shanghai Xingui, 1.8% by Dongzheng Dingrui and 0.6% by Shanghai Rongyi of the enlarged share capital of our Company at an aggregate cash consideration of RMB142.57 million;
- (i) the share transfer agreement dated 22 July 2019 entered into between Activation Enterprise as purchaser and Aurora Activation, Brightly Sky and Activation Investment as vendors in relation to the transfer of the entire issued shares in Activation International in consideration of our Company for the allotment and issue of 19,611,426 Shares to Activation Investment, 28,238,499 Shares to Brightly Sky and 25,735,587 Shares to Aurora Activation, respectively;

- (j) the equity transfer agreement dated 26 July 2019 entered into between Beijing Sequoia as transferor and Activation International as transferee in relation to the transfer of 9.14% equity interest in Activation Group at the consideration of RMB73,132,416;
- (k) the loan agreement dated 2 September 2019 entered into between our Company as borrower and Cheung & Sons Holdings Limited as lender (as supplemented by the supplemental agreement dated 23 October 2019 entered into among the same parties) pursuant to which Cheung & Sons Holdings Limited has lent to our Company a term loan facility of up to HK\$60 million;
- (l) the equity transfer agreement dated 10 September 2019 entered into between Activation Entertainment as transferor and Strait West Coast (Beijing) Cultural Media Co., Ltd* (海峽西岸(北京)文化傳媒有限公司) as transferee in relation to the transfer of 30% equity interest in Chengrun Huashang at the cash consideration of RMB1,200,000;
- (m) the Deed of Indemnity, containing the indemnities more particularly referred to in the paragraph headed “17. Estate duty, tax and other indemnity” of this Appendix; and
- (n) the Hong Kong Underwriting Agreement.

10. Material properties of our Group

As of the Latest Practicable Date, our Group had leased the following material properties, details of which are set out below:

Address and description of location	Usage	Approximate gross floor area	Restrictions on use	(1) Type of ownership (2) Term of lease	Details of encumbrances, liens, pledges and mortgages
1. Unit A, B and C, 11/F, Gold Union Commercial Building, No. 70-72 Connaught Road West, Hong Kong	Office	2,450 sq.ft.	As business office	(1) Leased (2) 1 November 2019 to 31 December 2020	Nil
This property is located in a commercial area.					
2. Room 808-1, 8/F, No. 399A Liu Zhou Road, Xu Hui District, Shanghai, PRC	Office	15.4 sq.m.	Nil	(1) Leased (2) 1 January 2019 to 31 December 2021	N/A
This property is located in a commercial area.					

Address and description of location	Usage	Approximate gross floor area	Restrictions on use	(1) Type of ownership (2) Term of lease	Details of encumbrances, liens, pledges and mortgages
3. Room 807, 808-2, 8/F, No. 399A Liu Zhou Road, Xu Hui District, Shanghai, PRC This property is located in a commercial area.	Office	118.1 sq.m.	Nil	(1) Leased (2) 1 January 2019 to 31 December 2021	N/A
4. Room 801, 802, 803, 805, 808-3, 8/F, No. 399A Liu Zhou Road, Xu Hui District, Shanghai, PRC This property is located in a commercial area.	Office	405.7 sq.m.	Nil	(1) Leased (2) 1 January 2019 to 31 December 2021	N/A
5. Room 806, 808-4, 8/F, No. 399A Liu Zhou Road, Xu Hui District, Shanghai, PRC This property is located in a commercial area.	Office	138.7 sq.m.	Nil	(1) Leased (2) 1 January 2019 to 31 December 2021	N/A
6. Rooms 503, 5/F, No. 399A Liu Zhou Road, Xu Hui District, Shanghai, PRC This property is located in a commercial area.	Office	159.0 sq.m.	For office use only	(1) Leased (2) 1 July 2018 to 17 April 2026	N/A
7. Rooms 505-507, 5/F, No. 399A Liu Zhou Road, Xu Hui District, Shanghai, PRC This property is located in a commercial area.	Office	479.0 sq.m.	For office use only	(1) Leased (2) 18 April 2016 to 17 April 2026	N/A
8. Room 609, 6/F, No. 399A Liu Zhou Road, Xu Hui District, Shanghai, PRC This property is located in a commercial area.	Office	165.8 sq.m.	For office use only	(1) Leased (2) 1 January 2019 to 31 December 2023	N/A

Address and description of location	Usage	Approximate gross floor area	Restrictions on use	(1) Type of ownership (2) Term of lease	Details of encumbrances, liens, pledges and mortgages
9. Camp 798 North District, No. 4 Jiuxianqiao Road, Chaoyang District, Beijing, PRC	Business usage	649.1 sq.m.	For business usage	(1) Leased (2) 1 January 2019 to 30 April 2021	N/A

This property is located in a commercial area.

11. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks which are material in relation to our Group's business:

	Trademark	Registered owner	Place of registration	Class	Registration number	Duration of validity
1.	ACTIVATION	Activation Group	PRC	35 (Note 1)	10934735	7 September 2013 to 6 September 2023
2.	艾德韦宣	Activation Group	PRC	35 (Note 2)	13639084	7 February 2015 to 6 February 2025
3.	艾德韦宣	Activation Group	PRC	37 (Note 3)	13639129	7 March 2015 to 6 March 2025
4.	ACTIVATION	Activation Group	PRC	37 (Note 3)	13639168	21 February 2015 to 20 February 2025
5.	ACTIVATION	Activation Group	PRC	39 (Note 4)	13639226	14 March 2015 to 13 March 2025
6.	艾德韦宣	Activation Group	PRC	39 (Note 4)	13639251	14 March 2015 to 13 March 2025
7.	艾德韦宣	Activation Group	PRC	40 (Note 5)	13639307	14 February 2015 to 13 February 2025
8.	ACTIVATION	Activation Group	PRC	40 (Note 5)	13639331	7 March 2015 to 6 March 2025
9.	艾德韦宣	Activation Group	PRC	41 (Note 6)	13639413	7 March 2015 to 6 March 2025

	Trademark	Registered owner	Place of registration	Class	Registration number	Duration of validity
10.	艾德韦宣	Activation Group	PRC	42 (<i>Note 7</i>)	13639452	28 February 2015 to 27 February 2025
11.	ACTIVATION	Activation Group	PRC	42 (<i>Note 7</i>)	13639482	28 February 2015 to 27 February 2025
12.	ACTIVATION	Activation Group	PRC	41 (<i>Note 8</i>)	13639396	7 September 2015 to 6 September 2025
13.	艾德韦宣	Activation Group	Hong Kong	35, 37, 39, 40, 41, 42 (<i>Note 9</i>)	302820212	29 November 2013 to 28 November 2023
14.	ACTIVATION GROUP	Activation Group	Hong Kong	35 (<i>Note 10</i>)	302002436	11 August 2011 to 10 August 2021
15.	ACTIVATION GROUP	Activation Group	Hong Kong	35, 41, 42 (<i>Notes 11, 12 and 13</i>)	304804812	17 January 2019 to 16 January 2029

Notes:

- (1) The specific products under class 35 in respect of which the trademark was applied for registration are advertising; commercial management consultation; marketing; human resources management consultation; commercial area migration; computer documentation management; accounting; search for sponsorship; leasing of vending machine.
- (2) The specific products under class 35 in respect of which the trademark was applied for registration are advertising; issuance of invoice; commercial management consultation; commercial area migration; commercial auditing; commercial information; professional commercial consultation; sales and marketing; search for sponsorship.
- (3) The specific products under class 37 in respect of which the trademark was applied for registration are mining; installation and repairing of escalator; installation and repairing of anti-theft alarm system; building of factory; installation, maintenance and repairing of machines; furniture production (repairing); construction consultation; tires retreading; interior renovation and repairing; repairing of clothes.
- (4) The specific products under class 39 in respect of which the trademark was applied for registration are handling; maritime transportation; cargo storage; air transportation; courier service (letter or commodity); energy distribution; vehicle transportation; commodity packaging; haulage; leasing of transportation tool (vehicle).
- (5) The specific products under class 40 in respect of which the trademark was applied for registration are stripping processing; blown glassware; polishing; textile processing; clothing production; electroplating plating; flour processing; wood felling and processing; firing pottery; paper processing.

- (6) The specific products under class 41 in respect of which the trademark was applied for registration are scheduling and organising meetings; long distance learning; fitness clubs (fitness and fitness training); education; mobile libraries; publication of videotapes; training; school (education); publication of online e-books and magazines; organising educational or recreational competitions.
- (7) The specific products under class 42 in respect of which the trademark was applied for registration are material testing; clothing design; industrial product exterior design; chemical research; technical research; computer programming; biological research; interior design; physical research; quality control.
- (8) The specific products under class 41 in respect of which the trademark was applied for registration are correspondence courses; fitness clubs (fitness and fitness training); education; mobile libraries; publication of videotapes; training; school (education).
- (9) The specific products under class 35 in respect of which the trademark was applied for registration are advertising; commercial management consultation; professional commercial consultation; commercial information; marketing and sales; human resources management consultation; commercial area migration; search for sponsorship; commercial auditing; issuance of invoice.

The specific products under class 37 in respect of which the trademark was applied for registration are construction consultation; building of factory; interior renovation and maintenance; mining; repairing of clothes; installation, maintenance and repairing of machines; renovation of tyres; production of furniture (repairing); installation and repairing of escalators; installation and maintenance of anti-theft alarm system.

The specific products under class 39 in respect of which the trademark was applied for registration are energy distribution; handling; commodity packaging; maritime transportation; haulage; vehicle transportation; air transportation; cargo storage; leasing of transportation tool (vehicle); courier service (letter or commodity).

The specific products under class 40 in respect of which the trademark was applied for registration are polishing; metal plating; textile finishing; wood felling and processing; paper processing; firing pottery; flour processing; clothing production; blown glassware production; stripping processing.

The specific products under class 41 in respect of which the trademark was applied for registration are education; training; scheduling and organising meetings; mobile libraries; publication of online e-books and magazines; videotape distribution; fitness clubs (fitness and fitness training); schools (education); long distance learning; organising educational or recreational competitions.

The specific products under class 42 in respect of which the trademark was applied for registration are interior design; clothing design; computer programming; industrial product exterior design; technical research; quality control; biological research; material testing; physical research; chemical research.

- (10) The specific products under class 35 in respect of which the trademark was applied for registration are advertising; commercial management consultation (advisory); selling for others; human resources management consultation; commercial area migration (provision of information); computer documentation management; accounting; search for sponsorship; leasing of vending machine.
- (11) The specific products under class 35 in respect of which the trademark was applied for registration are advertising; commercial management consultants; professional commercial consultation; business information; marketing; personnel management consultation; business enterprise migration; search for sponsorship; commercial auditing; issuance of invoice.
- (12) The specific products under class 41 in respect of which the trademark was applied for registration are education; training; scheduling and organising meetings; mobile libraries; publication of online e-books and magazines; videotape distribution; fitness clubs (fitness and fitness training); schools (education); long distance learning; organising educational or recreational competitions.
- (13) The specific products under class 42 in respect of which the trademark was applied for registration are interior design; clothing design; computer programming; industrial product exterior design; technical research; quality control; biological research; material testing; physical research; chemical research.

(b) *Domain name*

As of the Latest Practicable Date, our Group had registered the following domain name which is material in relation to our Group's business:

Domain name	Registration date	Expiry date
www.activation-gp.com	7 August 2018	29 November 2028

12. Related party transactions

Save as disclosed in Note 33 to the Accountants' Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, we have not engaged in any other material related party transactions.

FURTHER DETAILS ABOUT OUR DIRECTORS AND SHAREHOLDERS

13. Directors

(a) *Disclosure of interests of directors*

- (i) Each of Mr. Lau, Mr. Ng, Mr. Chan and Ms. Low are interested in the Reorganisation.
- (ii) Save as disclosed in this prospectus, none of our Directors or their associates engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) *Particulars of Directors' service contracts*

Executive Directors

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from 19 December 2019 which may be terminated by either party by giving not less than three months' written notice. The term of service contract shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term until terminated by either party by giving not less than three months' written notice to the other.

During the term of the service contract, each of these executive Directors is entitled to the respective basic salary set out below (subject to an annual increment after 1 January 2021 at the discretion of our Directors of not more than 10% of the average annual salary for the 12 months immediately prior to such increase).

In addition, during the term of the service contract, each of the executive Directors is also entitled to a discretionary management bonus in such sum as the Board may in its absolute discretion determine provided that the aggregate amount of bonuses payable to all the executive Directors for any financial year of our Company shall not exceed 10% of the audited consolidated or combined net profit attributable to the shareholders of us (after taxation and minority interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of our Company. An executive Director may not vote on any resolution of the Directors regarding the amount of management bonus payable to him.

The current basic annual salaries of the executive Directors payable under their service contracts are as follows:

Name	Annual salary (HK\$)
Mr. Ng	180,000
Mr. Lau	180,000
Mr. Chan	180,000
Ms. Low	180,000

As at the Latest Practicable Date, Mr. Ng, Mr. Lau, Mr. Chan and Ms. Low had also entered into an employment contract with Activation Group for a term commencing from 1 January 2017, 2 January 2017, 2 January 2017, and 2 January 2017, respectively and will continue thereafter until terminated by either party by giving not less than 30 days written notice. The basic salary of Mr. Ng, Mr. Lau, Mr. Chan and Ms. Low under their respective employment contracts with Activation Group are approximately RMB85,541 (as revised on 1 January 2019), RMB81,232, RMB64,305, and RMB97,712 per month respectively. Mr. Ng has entered into an employment contract with Activation International for a term commencing from 1 July 2016 and will continue thereafter until terminated by either party by giving not less than two months' written notice. The basic salary of Mr. Ng under his employment contract with Activation International is HK\$50,000 per month.

Independent non-executive Directors

Each of the independent non-executive Directors has been appointed for an initial term of three years commencing from 19 December 2019 which may be terminated by either party by giving not less than three months' written notice. The term of appointment shall be renewed and extended automatically for successive terms of two years upon expiry of the then current term until terminated by either party giving not less than three months' written notice to the other. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

Each of the independent non-executive Directors is entitled to a director's fee of HK\$180,000 per annum from the Listing Date and during the term of the appointment. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

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

(c) *Remuneration of Directors*

- (i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of the FY2016, FY2017, FY2018 and 6M2019 were approximately RMB5.0 million, RMB5.3 million, RMB5.8 million and RMB2.4 million, respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our independent non-executive Directors) for the year ending 31 December 2019, are expected to be approximately RMB5.0 million.
- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the FY2016, FY2017, FY2018 and 6M2019 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the FY2016, FY2017 and FY2018 and 6M2019.

(d) *Interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations following the Global Offering*

Immediately following completion of the Global Offering and Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and

8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

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

Notes:

1. The letter "L" denotes our Directors' long position in the shares of our Company or the relevant associated corporation.
2. These 117,669,156 Shares are held by Activation Investment, which is ultimately controlled by Mr. Ng through NBS Holdings. Under the SFO, Mr. Ng is deemed to be interested in the Shares held by Activation Investment.
3. These 154,413,522 Shares are held by Aurora Activation, which is ultimately controlled by Mr. Lau through Dashing Fortune. Under the SFO, Mr. Lau is deemed to be interested in the Shares held by Aurora Activation.
4. These 42,929,466 Shares are held by Activation One, which is ultimately controlled by Ms. Low through Step Mind Enterprises Limited. Under the SFO, Ms. Low is deemed to be interested in the Shares held by Activation One.

14. Interest discloseable under the SFO and substantial shareholders

So far as is known to the Directors, immediately following completion of the Global Offering and Capitalisation Issue (but without taking account of any Shares which may be taken up or acquired under the Global Offering and any Shares which may be allotted, and issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), other than a Director or chief executive of our Company whose interests are disclosed under the sub-paragraph headed “13. Directors – (d) Interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations following the Global Offering” above, the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

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

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

Notes:

1. The letter “L” denotes the shareholder’s long position in the Shares.
2. These 117,669,156 Shares are held by Activation Investment, which is wholly owned by NBS Holdings. Under the SFO, NBS Holdings is deemed to be interested in the Shares held by Activation Investment.
3. Ms. Chung Wing Ting is the spouse of Mr. Ng. Under the SFO, Ms. Chung Wing Ting is deemed to be interested in the same number of Shares which Mr. Ng is interested in.
4. These 154,413,522 Shares are held by Aurora Activation, which is wholly owned by Dashing Fortune. Under the SFO, Dashing Fortune is deemed to be interested in the Shares held by Aurora Activation.
5. Ms. Li Meixuan is the spouse of Mr. Lau. Under the SFO, Ms. Li Meixuan is deemed to be interested in the same number of Shares which Mr. Lau is interested in.
6. These 169,430,994 Shares are held by Brightly Sky, which is wholly owned by ACT Partners. ACT Partners is owned as to approximately 45.74% by ACT Holdings. ACT Holdings is held under a trust for the benefit of our executive Directors, senior management and other key personnel of our Group pursuant to awards to be granted by our Company at the discretion of the Board from time to time. Acheson Limited is the trustee of the trust. Under the SFO, ACT Partners, ACT Holdings and Acheson Limited are deemed to be interested in the Shares held by Brightly Sky.
7. These 42,929,466 Shares are held by Activation One, which is wholly owned by Step Mind Enterprises Limited. By virtue of the SFO, Step Mind Enterprises Limited is deemed to be interested in the Shares held by Activation One.

15. Disclaimers

Save as disclosed in this appendix and the sections headed “History, Reorganisation and Corporate Structure”, “Substantial Shareholders” and “Underwriting” in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the Directors are not aware

of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Global Offering and Capitalisation Issue will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of us;

- (b) none of the Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;
- (c) none of the Directors nor any of the parties listed in paragraph 23 below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of us nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (d) none of the Directors nor any of the parties listed in paragraph 23 below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of us; and
- (e) save in connection with the Underwriting Agreements, none of the parties listed in paragraph 23 below:
 - (i) is interested legally or beneficially in any securities of any member of us; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of us.

OTHER INFORMATION

16. Share Option Scheme

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by the then Shareholders on 19 December 2019:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward the employees, the Directors and other selected participants for their contributions to us. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of us so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) Who may join

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:

- (aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (“**Invested Entity**”) in which any member of us holds an equity interest;
- (bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of us or any Invested Entity;
- (dd) any customer of any member of us or any Invested Entity;

- (ee) any person or entity that provides research, development or other technological support to any member of us or any Invested Entity;
- (ff) any shareholder of any member of us or any Invested Entity or any holder of any securities issued by any member of us or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of us or any Invested Entity;
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of us;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of us to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option 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 us.

(iii) Maximum number of the Shares

- (aa) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by us must not in aggregate exceed 30% of the share capital of our Company in issue from time to time.
- (bb) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of us) to be granted under the Share Option Scheme and any other share option scheme of us must not in aggregate exceed 10% of the number of Shares in issue on the Listing Date, being 80,000,000 Shares (“**General Scheme Limit**”).

- (cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of us must not exceed 10% of the number of Shares in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of us) previously granted under the Share Option Scheme and any other share option scheme of us will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.
- (dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of us (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the number of Shares in issue for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of our Company with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) *Grant of options to the Directors, chief executive or substantial shareholders of our Company or their respective associates*

(aa) Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by independent non-executive Directors (excluding independent non-executive Director who or whose associates is the proposed grantee of the options).

(bb) Where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders in general meeting. Our Company must send a circular to the Shareholders, within such time as may be specified in the Listing Rules. All connected persons of our Company must abstain from voting in favour at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting (with such grantee, his associates and all core connected persons of our Company abstaining from voting in favour).

(vi) *Time of acceptance and exercise of option*

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless

otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) Ranking of the Shares

The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the articles of association of our Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been entered on the register of members of our Company as the holder thereof.

Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(x) Restrictions on the time of the offer for the grant of options

No offer for grant of options shall be made after inside information has come to our Company's knowledge until we have announced the information. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (bb) the deadline for our Company to publish an announcement of our results for any year, half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, no offer for the grant of options may be made.

The Directors may not make any offer for the grant of option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and shall not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with us or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of our Company, any of our subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with us or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or us or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If our Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and us or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of us by reason of the cessation of its relations with us or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which the Directors have so determined.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming

that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

- (aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and
- (bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company while an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number of Shares to which the Share Option Scheme or any option relates (insofar as it is/they are unexercised) and/or the subscription price of the option concerned and/or (unless the grantee of the option elects to waive such adjustment) the number of Shares comprised in an option or which remains comprised in an option, provided that (aa) any adjustments shall give a grantee the same proportion of the number of issued shares as that to which he was entitled prior to such alteration; (bb) the issue of Shares or other securities of us as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (cc) no alteration may be made to the extent that a Share would be issued at less than its nominal value; and (dd) any adjustment must be made in compliance with the Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of our Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xii) *Rights are personal to the grantee*

An option is personal to the grantee and shall not be transferable or assignable.

(xiii) *Lapse of option*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the option period in respect of such option;
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and
- (cc) the date on which our Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xiv) *Miscellaneous*

- (aa) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the shareholders of our Company in general meeting.

(b) Present status of the Share Option Scheme

(i) Approval of the Listing Committee required

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

(v) Compliance with the Listing Rules

The Share Option Scheme complies with Chapter 17 of the Listing Rules.

17. Estate duty, tax and other indemnity

The Controlling Shareholders (together, the “**Indemnifiers**”) have entered into the Deed of Indemnity with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries stated therein) to provide indemnities on a joint and several basis in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the Listing; and
- (b) taxation, together with all reasonable costs (including all legal costs), fines, penalties, costs, charges, expenses and other liabilities which may be incurred by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any transaction or event entered into or occurring on or before the Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 30 June 2019;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 July 2019 and ended on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of any of the Indemnifiers, otherwise than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 1 July 2019; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 30 June 2019 or pursuant to any statement of intention made in this prospectus; or

- (c) to the extent of any provision or reserve made for taxation in the audited accounts of any member of our Group up to 30 June 2019 and which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or
- (d) to the extent that such taxation claim arises or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the laws, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority in the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation or taxation claim after the date of the Deed of Indemnity with retrospective effect.

Under the Deed of Indemnity, each of the Indemnifiers has also jointly and severally undertaken to us that he/it will indemnify and at all times keep each of the members of our Group fully indemnified on demand from and against all losses, claims, actions, demands, liabilities, damages, costs, expenses, fines, penalties and charges and of whatever nature suffered or incurred by any member of our Group directly or indirectly arising out of or in connection with:

- (i) the non-compliance or alleged non-compliance by any member of our Group with any applicable laws and regulations on or before the Listing Date, including but not limited to the non-compliance in relation to the contribution of social insurance in the PRC (the “**Social Insurance Claims**”) and the failure to comply with the requisite approval/filing requirements in respect of the investments in Activation Events HK and Activation Marketing as set out in the section headed “Business – Non-compliance”;
- (ii) any legal dispute between our Group and Mr. So in connection with his resignation, his shareholding in Activation Group and/or the Reorganisation; and
- (iii) infringement claim brought by any third party concerning the use of intellectual property rights licensed to any member of our Group on or before the Listing Date, provided that the Indemnifiers shall be under no liability under the Deed of Indemnity:
 - (a) in respect of any such Social Insurance Claims, to the extent that provision or reserve has been made for Social Insurance Claims in the audited accounts of any member of our Group for any accounting period up to 30 June 2019;

- (b) in respect of any such Social Insurance Claims, to the extent that any provision or reserve made for such Social Insurance Claims in the audited accounts of any member of our Group for any accounting period up to 30 June 2019 which is finally established to be over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such Social Insurance Claims shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve so applied to reduce the Indemnifiers' liability in respect of such Social Insurance Claims shall not be available in respect of any such liability arising thereafter; or
- (c) in respect of any infringement claim concerning the use of intellectual property rights, to the extent that such amount which the member of our Group can recover from the licensor of the intellectual property rights and/or insurance claims.

Under the deed of indemnity, each of the Indemnifiers has also jointly and severally undertaken to us that he/it will indemnify and at all times keep each of the members of our Group fully indemnified, on demand from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

18. Litigation

Save for the legal proceedings initiated by Mr. So against our Group as disclosed in the section headed "History, Reorganisation and Corporate Structure – The Reorganisation – Corporate restructuring – (1) Repurchase and allotment of shares in Brightly Sky – Legal dispute with Mr. So", no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company, that would have a material adverse effect on our results of operations or financial condition of our Company.

19. Preliminary expenses

The preliminary expenses of our Company were approximately USD7,000 and has been paid by our Company.

20. Promoter

- (a) Our Company does not have any promoter.
- (b) Within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to any promoters of our Company in connection with the Global Offering or the related transactions described in this prospectus.

21. Agency fees or commissions received

For details of the agency fees or commissions to be received by the Underwriters, please refer to the section headed “Underwriting – Underwriting Arrangements and Expenses – Commission fees and expenses” in this prospectus.

22. The Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme, on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

The sponsor’s fees payable by us in respect of the Sole Sponsor’s services as sponsor for the Listing is HK\$5.5 million.

23. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualification
Dongxing Securities (Hong Kong) Company Limited	Licensed corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
Ernst & Young	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands and BVI attorneys-at-law
Jingtian & Gongcheng	Qualified PRC lawyers
China Insights Industry Consultancy Limited	Industry consultant

None of the experts listed in the table above has any shareholding in any member of our Group or the right (whether legally enforceable or not), to subscribe for or to nominate persons to subscribe for securities in our Company or any other member of our Group.

24. Consents of experts

Each of the experts as set out in paragraph 23 above has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their report and/or letter and/or summary of valuations and/or legal opinion and/or opinion (as the case may be) and the references to their names or summaries of opinions included herein in the form and context in which they respectively appear.

25. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

26. Taxation of holders of Shares

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

27. Miscellaneous

- (a) Save as disclosed in this appendix and in the sections headed "History, Reorganisation and Corporate Structure" and "Underwriting" in this prospectus:
 - (i) within two years preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

- (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
- (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;
- (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (b) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2019 (being the date to which the latest audited combined financial statements of our Group were made up); and
- (c) our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

28. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) copies of the **WHITE, YELLOW** and **GREEN** application forms;
- (b) the written consents referred to in the section headed “Appendix IV – Statutory and General Information – Other Information – 24. Consents of experts” in this prospectus; and
- (c) copies of the material contracts referred to in the section headed “Appendix IV – Statutory and General Information – Further Information about the Business of our Company – 9. Summary of material contracts” in this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Chiu & Partners at 40/F., Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants’ Report prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the combined audited financial statements of our Group for each of the FY2016, FY2017, FY2018 and 6M2019;
- (d) the letter prepared by Ernst & Young on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the Companies Law;
- (f) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law as referred to in Appendix III to this prospectus;
- (g) the legal opinion prepared by Conyers Dill & Pearman in respect of the Repurchase Agreement;
- (h) the legal opinions prepared by our PRC Legal Advisers in respect of certain aspects of our Group and the property interests of our Group in the PRC;

- (i) the legal opinion prepared by our PRC Legal Advisers in respect of the legal proceedings initiated by Mr. So against our Group for his claim of shareholding in Activation Group;
- (j) the material contracts referred to in the section headed “Appendix IV – Statutory and General Information – Further Information about the Business of our Company – 9. Summary of material contracts” in this prospectus;
- (k) the service contracts referred to in the section headed “Appendix IV – Statutory and General Information – Further Details about our Directors and Shareholders – 13. Directors – (b) Particulars of Directors’ service contracts” in this prospectus;
- (l) the rules of the Share Option Scheme;
- (m) the written consents referred to in the section headed “Appendix IV – Statutory and General Information – Other Information – 24. Consents of experts” in this prospectus; and
- (n) the industry report prepared by CIC, the extracts of which is set out in the section headed “Industry Overview” to this prospectus.

