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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)

(Stock Code: 9919)

(1) MAJOR TRANSACTION
LIMITED PARTNERSHIP AGREEMENT IN RELATION TO
THE ESTABLISHMENT OF PARTNERSHIP;
AND
(2) CHANGE IN USE OF NET PROCEEDS

(1) LIMITED PARTNERSHIP AGREEMENT

The Board is pleased to announce that on 20 August 2020, Shanghai Boming and Aideweixuan, two indirect non-wholly owned subsidiaries of the Company, entered into the Limited Partnership Agreement with SHIVC Investment and Shanghai Innovital Technology to establish a partnership. According to the Limited Partnership Agreement, the total amount of capital commitment of the Partnership is targeted to be RMB1,002 million. As at the date of this announcement, the total amount of capital commitment to be contributed by the Partners is RMB402 million, each of Shanghai Boming and SHIVC Investment (as General Partners) committed to contribute RMB1 million respectively, while each of Shanghai Innovital Technology and Aideweixuan (as Limited Partners) committed to contribute RMB200 million, respectively. Following its establishment, the Partnership will become a joint venture of the Company and its financial results will not be consolidated into the accounts of the Group.

(2) CHANGE IN USE OF NET PROCEEDS

The Shares of the Company were listed on the Main Board of the Stock Exchange on 16 January 2020 and the Net Proceeds raised from the Global Offering was approximately HK\$345.0 million, after deducting the underwriting fees and commissions and other estimated payable by the Company in relation to the Global Offering. As at the date of this announcement, the unutilised Net Proceeds of approximately HK\$304.8 million were deposited into the Group's bank account. After due consideration on the current business environment and development needs of the Group, to facilitate effective allocation of the Group's financial resources and with a view to capture potential investment opportunities, the Board has resolved to change the use of the unutilised Net Proceeds such that approximately HK\$224.5 million will be reallocated for the capital commitment required for the establishment of the Partnership with SHIVC Investment and Shanghai Innovital Technology.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Transaction exceed 25% but less than 100%, the Transaction constitutes a major transaction for the Company and is therefore subject to the announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Transaction. As such, no Shareholder would be required to abstain from voting on the resolution to approve, among others, the Limited Partnership Agreement and the Undertaking Letter and the transactions contemplated thereafter at the EGM.

GENERAL

A circular containing, among others, (i) further information on the Limited Partnership Agreement, the Undertaking Letter and (ii) other information as required under the Listing Rules, together with the notice convening the EGM and the proxy form for the EGM, is expected to be despatched to the Shareholders on or before 10 September 2020.

The Board is pleased to announce that on 20 August 2020, Shanghai Boming and Aideweixuan, two indirect non-wholly owned subsidiaries of the Company, entered into the Limited Partnership Agreement with SHIVC Investment and Shanghai Innovital Technology to establish a partnership. According to the Limited Partnership Agreement, the total amount of capital commitment of the Partnership is targeted to be RMB1,002 million. As at the date of this announcement, the total amount of capital commitment to be contributed by the Partners is RMB402 million, each of Shanghai Boming and SHIVC Investment (as General Partners) committed to contribute RMB1 million respectively, while each of Shanghai Innovital Technology and Aideweixuan (as Limited Partners) committed to contribute RMB200 million respectively. Following its establishment, the Partnership will become a joint venture of the Company and the financial results of the Partnership will not be consolidated into the Group's financial statements.

PRINCIPAL TERMS OF THE LIMITED PARTNERSHIP AGREEMENT

The principal terms of the Limited Partnership Agreement are as follows:

Date

20 August 2020

Name of the Partnership

Shanghai Innovital Activation Enterprise Development Center (Limited Partnership)

Partners

General Partners

- (1) SHIVC Investment
- (2) Shanghai Boming

Limited Partners

- (1) Shanghai Innovital Technology
- (2) Aideweixuan

Pursuant to the Company's announcement dated 16 July 2020 ("**July Announcement**"), two shareholders of the Company (as vendors) entered into a conditional share transfer agreement with SHIVC (purchaser) to sell a total of 111,266,000 Shares to SHIVC, representing 14.42% of the issued share capital of the Company upon completion. The completion of the transaction is conditional upon the satisfaction or waiver of certain conditions precedent as set out in the share transfer agreement. As at the date of this announcement, the transaction has not yet been completed.

Save as disclosed above in the July Announcement, to the best of the Directors' knowledge and belief having made all reasonable enquiries, each of SHIVC Investment and Shanghai Innovital Technology and their ultimate beneficial owners are third parties independent of the Company and its connected persons as defined under the Listing Rules.

Condition precedent for the capital injection of the Partnership

The respective capital injection by Shanghai Boming and Aideweixuan to the Partnership is subject to the fulfilment of the following condition precedent:

- (i) the Company shall obtain the necessary approval (including but not limited to the Shareholders' approval at the EGM) for the establishment of the Partnership and the transactions contemplated thereunder;
- (ii) the Parties having entered into the relevant transaction documents for the capital injection of Aideweixuan and Shanghai Boming into the Partnership; and
- (iii) all the necessary filings in respect of the registration of Aideweixuan and Shanghai Boming as a Partner having been completed at the State Administration for Market Regulations of the PRC and a renewed business license of the Partnership having been obtained from the State Administration for Market Regulations of the PRC.

Purpose of the Partnership

The Partnership shall invest in pan-cultural sector projects (including fashion, sports and entertainment industry, digital and creative marketing segment) and such other industry sectors as the General Partners consider appropriate and in compliance with the PRC laws.

Term of operation of the Partnership

The term of the Partnership shall be 8 years commencing from the date of the business license of the Partnership. Upon unanimous consent of all Partners, the term of the Partnership may be extended twice with each extension not exceeding one year, or correspondingly shortened pursuant to the Limited Partnership Agreement.

Committed capital contribution

The total capital commitment to the Partnership under the Limited Partnership Agreement is targeted to be RMB1,002 million. As at the date of this announcement, the respective capital contribution will be made by the Partners are as follows:

Partners	Capital Contribution (RMB)	Approximate percentage of equity interest in the Partnership
<i>General Partners</i>		
SHIVC Investment	1,000,000	0.25%
Shanghai Boming	1,000,000	0.25%
<i>Limited Partners</i>		
Shanghai Innovital Technology	200,000,000	49.75%
Aideweixuan	200,000,000	49.75%
Total	<u>402,000,000</u>	<u>100.00%</u>

The total capital commitment of the Partnership and the amount of capital contribution of each Partner are determined after arm's length negotiations between the parties having taken into account, among other things, the expected capital requirements of the Partnership. It is anticipated that the total capital commitments payable by Shanghai Boming and Aideweixuan will be funded by internal resources of the Group.

Aideweixuan shall make the first capital contribution of RMB100 million to the Partnership within 30 days upon the fulfillment of all the condition precedents as set out in the Partnership Agreement. After the first installment of capital contribution has been paid by Aideweixuan, the rest of the Partners shall make the remaining capital contribution to the Partnership in accordance with the payment schedule and amount stated in the payment notice issued by the General Partners, failing which a late payment penalty of 0.5% will be incurred on the unpaid capital contribution.

For project which has approved by the investment decision committee of the Partnership, the General Partners shall issue payment notice based on the funding requirement of each project and request the Limited Partners to make capital contribution, in such case, the Limited Partner failing to make the payment in accordance with the payment schedule shall be liable for all the losses caused by the delay.

After the signing of the Partnership Agreement, Aideweixuan shall use reasonable endeavours to procure the satisfaction of all the condition precedents as set out in the Partnership Agreement as soon as practicable and in any event not later than 28 February 2021 (or such later date as agreed between the Parties).

Investment targets

The Partnership shall invest in the pan-cultural sector projects, including but not limited to fashion, sports and entertainment industry, digital and creative marketing segment (“**Qualified Investment Project**”) through Innovital Baoli, which shall in turn make the investment via Shanghai Wentang, and Shanghai Wentang shall directly engage in the investment of the Qualified Investment Project.

Management

SHIVC Investment, as the executive partner of the Partnership, is responsible for the daily operation and management of the Partnership. The executive partner shall be authorised to act on behalf of the Partnership and, if necessary or appropriate, to do all such acts to achieve part or all of the purposes of the Partnership, to conclude and perform all contracts and other commitments as and when the executive partner, in its sole discretion, deems necessary, appropriate, convenient or relevant. SHIVC Investment as the manager of the Partnership, is responsible for the provision of investment and management advices for the Partnership.

(i) Undertaking Letter

Pursuant to the undertaking letter entered between, among others, Aideweixuan, Shanghai Boming and SHIVC Investment dated 20 August 2020, SHIVC Investment has, among other matters, undertaken to each of Aideweixuan and Shanghai Boming the following matters regarding the indirect investment through Innovital Baoli and Shanghai Wentang:

- (a) in order to protect the interest of the Partnership, SHIVC Investment shall procure each of Innovital Baoli and Shanghai Wentang to set up an independent simulated capital account for the Partnership in order to record the investment amount, distributable profit, loss, cost sharing (if any) at the level of Innovital Baoli and Shanghai Wentang;
- (b) SHIVC Investment shall procure Innovital Baoli not to sell, dispose or create any mortgage, charge or encumbrance on any indirect investment made by Shanghai Wentang for and on behalf of the Partnership without the written consent of Aideweixuan and Shanghai Boming;
- (c) if the investment on the relevant Qualified Investment Project by Shanghai Wentang has not been approved by the investment decision committee of the Partnership, any income or loss derived from such investment project shall not be counted towards the simulated capital account of the Partnership at Innovital Baoli and Shanghai Wentang;
- (d) after receiving any profit (including but not limited to dividend, income derived from the sale or disposal of investment projects) derived from the Qualified Investment Project, Innovital Baoli and Shanghai Wentang shall distribute the profit to the Partnership within 20 business days from the date of receiving the profit in accordance with the terms of the Undertaking Letter; and
- (e) SHIVC Investment shall use reasonable endeavours to procure each of Innovital Baoli and Shanghai Wentang to return or distribute any income or profit under the simulated capital account in accordance with the terms of the Undertaking Letter.

(ii) Waiver letter

Pursuant to a waiver letter dated 20 August 2020, each of the executive partners of Shanghai Wentang and Innovital Baoli has irrevocably undertaken to the Group that they agreed to waive any management fee or incentive fee incurred as a result of the indirect investment in each of Innovital Baoli and Shanghai Wentang.

Investment decision committee

An investment decision committee will be established with two members nominated by SHIVC Investment and one member nominated by Shanghai Boming, comprising a total of three members, to make decisions on investment opportunities. Each member of the investment decision committee shall have one vote, and an investment decision shall be only valid if it is passed by all members of the investment decision committee unanimously.

Transfer of interest in the Partnership

Any transfer by a Partner of all or part of its partnership interest in the Partnership shall be subject to the consent of all General Partners. Subject to other terms of the Limited Partnership Agreement, during the term of the Partnership, without the prior written consent of all General Partners, no Partner shall sell, exchange, charge, assign, transfer, pledge or otherwise dispose of or create encumbrance over all or any part of its interest in the Partnership.

Profit distribution

Subject to the terms of the Limited Partnership Agreement, the Partners agreed that the distributable profit generated by the Partnership shall be distributed among the Partners in proportion to their respective capital contribution to the Partnership after deducting any operating expenses incurred by the Partnership.

Loss sharing

The losses of the Partnership shall be borne by the Partners and restricted to their respective capital commitment in the Partnership and the excessive part of the loss shall be borne by the General Partners.

Exit of the Partnership

Unless otherwise provided in the Limited Partnership Agreement. Prior to the dissolution or liquidation of the Partnership, the Partners shall not dispose of its interest in the Partnership, save as upon any of the following events occurring:

- (1) the Partner has its business license revoked according to the applicable laws, is being ordered to dissolve or has declared bankrupt;
- (2) the Partner's entire interest in the Partnership is being enforced by the People's Court of the PRC; or
- (3) any other situations stipulated under the laws of the PRC.

INFORMATION ON THE PARTIES TO THE LIMITED PARTNERSHIP AGREEMENT

Shanghai Boming

Shanghai Boming is a company incorporated in PRC with limited liability and is an indirect non-wholly owned subsidiary of the Company. It is principally engaged in the provision of experiential marketing for local luxury brands in the PRC.

Aideweixuan

Aideweixuan is a company incorporated in PRC with limited liability and is an indirectly non-wholly owned subsidiary of the Company. It is principally engaged in the provision of experiential marketing, digital and brand communication and public relation service.

SHIVC Investment

SHIVC Investment is a company incorporated in the PRC with limited liability and is principally engaged in equity investment and investment management.

Shanghai Innovital Technology

Shanghai Innovital Technology is a limited partnership incorporated in the PRC and is principally engaged in equity investment and investment management.

INFORMATION ON THE GROUP

The Company, through its subsidiaries, is principally engaged in the provision of integrated marketing solutions and the intellectual property development. As the provider of the integrated marketing, the Group 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.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE LIMITED PARTNERSHIP AGREEMENT

The Group intends to establish the Partnership to explore for potential investment opportunities on the pan-cultural sector projects and to leverage on the networks and expertise of SHIVC Investment to improve the efficiency of capital use of the Group and utilise the resources contributed by SHIVC Investment for creating synergy between the co-operation and the existing business of the Group. It is also expected that this will improve the digital marketing segment of the Group, and strengthen the IP development segment of the Group. In addition, the Company considers that the entering into of the Limited Partnership Agreement will provide an opportunity to enhance the return to the Shareholders in the long run.

Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the Limited Partnership Agreement and the Undertaking Letter are on normal commercial terms, and the terms and conditions therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Transaction exceed 25% but less than 100%, the Transaction constitutes a major transaction for the Company and is therefore subject to the announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Transaction. As such, no Shareholder would be required to abstain from voting on the resolution to approve, among others, the Limited Partnership Agreement, the Undertaking Letter and the transactions contemplated thereafter at the EGM.

GENERAL

A circular containing, among others, (i) further information on the Limited Partnership Agreement, the Undertaking Letter and (ii) other information as required under the Listing Rules, together with the notice convening the EGM and the proxy form for the EGM, is expected to be despatched to the Shareholders on or before 10 September 2020.

CHANGE IN USE OF NET PROCEEDS

References are made to the Prospectus and the allotment results announcement of the Company dated 15 January 2020. The Shares of the Company were listed on the Main Board of the Stock Exchange on 16 January 2020 and the Net Proceeds raised from the Global Offering was approximately HK\$345.0 million after deducting the underwriting fees and commissions and other estimated payable by the Company in relation to the Global Offering.

As disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Company intended to use the Net Proceeds for the following purposes: (i) develop and expand the existing business of integrated marketing solutions and IP development; (ii) cash reserve for strategic investment funds for suitable cooperation or investment opportunities; and (iii) general working capital and other general corporate purpose.

As at the date of this announcement, the unutilised Net Proceeds of approximately HK\$304.8 million ("**Unutilised Net Proceeds**") were deposited into the Group's bank accounts. After due and careful consideration on the current business environment and development needs of the Group, to facilitate effective allocation of the Group's financial resources and with a view to capture potential investment opportunities, the Board has resolved to change the use of the unutilised Net Proceeds such that approximately HK\$224.5 million will be reallocated for the capital commitment required for the establishment of the Partnership with SHIVC Investment and Shanghai Innovital Technology as follows:

Designated use set forth in the Prospectus	%	Original allocation of Net Proceeds <i>HK\$ million</i>	Utilised Net Proceeds as at the date of this announcement <i>HK\$ million</i>	Unutilised Net Proceeds as at the date of this announcement <i>HK\$ million</i>	Revised allocations of Unutilised Net Proceeds <i>HK\$ million</i>
Develop and expand the existing business of integrated marketing solutions and IP development	55.9	192.8	6.0	186.8	75.1
Cash reserve for strategic investment funds for suitable cooperation or investment opportunities	34.2	118.0	0	118.0	5.2
General working capital and other general corporate purpose	9.9	34.2	34.2	0	0
Capital commitment required for the establishment of the Partnership with SHIVC Investment and Shanghai Innovital Technology	—	—	—	—	224.5
	<u>100</u>	<u>345.0</u>	<u>40.2</u>	<u>304.8</u>	<u>304.8</u>

REASONS FOR THE CHANGE IN USE OF PROCEEDS

The planned use of Net Proceeds as disclosed in the Prospectus was based on the best estimation made by the Group in relation to the then future market conditions as the time of the publication of the Prospectus. In this connection, the Board evaluates the trends of the event industry with the global and local economic conditions from time to time to determine the most effective and efficient use of the net proceeds.

It was stated in the section headed “Futures plans and use of proceeds” of the Prospectus that one of the business strategies and plans of the Group is to expand the existing business of integrated marketing solutions and IP development. In view of the local economic, social uncertainties and the recent outbreak of the COVID-19 in China, Hong Kong and globally, the Group is in the view that the business expansion shall be postponed until the economy starts to recover.

The Board has considered the existing funding needs of the Group and taken the view that the Unutilised Net Proceeds can be better utilized in entering in the strategic investment funds which can improve the efficiency of capital use of the Group and utilise the resources contributed by SHIVC Investment for creating synergy for the existing business of the Group. It is also expected that this will improve the digital marketing segment of the Group, and strengthen the IP development of the Group. This change of the use of Net Proceeds will benefit the operation and business development of the Group and is in the best interest of the Company and the Shareholders as a whole.

The Board will continuously assess the plans for use of the Net Proceeds, and may revise or amend such plans where necessary to respond to the changing market conditions and strive for better business performance of the Group.

Save as disclosed in this announcement, there are no other changes on the use of the Net Proceeds.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Aideweixuan”	Shanghai Aideweixuan Group Co., Ltd (上海艾德韋宣股份有限公司) a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Board”	the board of Directors of the Company
“Company”	Activation Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 9919)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and approve, among other things, the Limited Partnership Agreement, the Undertaking Letter and the transactions contemplated thereunder
“General Partner(s)”	general partners of the Partnership, being Shanghai Booming and SHIVC Investment as at the date of this announcement
“Global Offering”	the issue and offer for subscription to the public in Hong Kong and the placing to institutional, professional and other investors of a total of 200,000,000 Shares in connection with the listing of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) which is(are) not connected with the connected person(s) (both as defined in the Listing Rules) or core connected person(s) of the Company
“Innovital Baoli”	Shanghai Innovital Baoli Information Technology Center (Limited partnership) 上海雙創寶勵信息技術中心(有限合夥), a limited partnership established in the PRC and ultimately controlled by which was ultimately controlled by Zeng Yu 'e, an Independent Third Party

“IP”	the business which involves introducing, developing and growing an intellectual property for clients
“Limited Partner(s)”	limited partners of the Partnership, being Aideweixuan and Shanghai Innovital Technology as at the date of this announcement
“Limited Partnership Agreement”	the limited partnership agreement dated 20 August 2020 entered into by Shanghai Booming, Aideweixuan, SHIVC Investment and Shanghai Innovital Technology in relation to the Partnership
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended from time to time
“Net Proceeds”	the net proceeds from the Global Offering
“Partner(s)”	the parties entered into the Limited Partnership Agreement
“Partnership”	雙創艾德(上海)企業發展中心(有限合夥)(Shanghai Innovital Activation Enterprise Development Center (Limited Partnership)), a limited partnership to be establish in the PRC pursuant to the Limited Partnership Agreement
“PRC” or “China”	the People’s Republic of China. For the purposes of this announcement only and except where the context requires otherwise, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 31 December 2019 in connection with the Global Offering
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Boming”	上海帛銘企業形象策劃有限公司(Shanghai Boming Enterprise Image Planning Co., Ltd), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Shanghai Innovital Technology”	上海雙創科技投資中心(有限合伙)(Shanghai Innovital Technology Capital (Limited Partnership), a limited partnership established in the PRC and ultimately controlled by SHIVC Investment
“Shanghai Wentang”	上海文棠企業管理中心(有限合伙)(Shanghai Wentang Enterprise Management Center (Limited Partnership)), a limited partnership established in the PRC and ultimately controlled by SHIVC Investment

“Shares”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“SHIVC”	上海雙創投資中心(有限合夥) (Shanghai Innovital Capital (Limited Partnership)), a limited partnership established in the PRC which was ultimately controlled by Zhang Saimei, an Independent Third Party and is principally engaged in equity investment management in strategic emerging fields
“SHIVC Investment”	上海雙創投資管理有限公司 (Shanghai Innovital Capital Investment Management Co., Ltd.), a company established in the PRC with limited liability which was ultimately controlled by Zhang Saimei, an Independent Third Party
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Transaction”	the establishment of the Partnership pursuant to the Limited Partnership Agreement
“Undertaking Letter”	the undertaking letter entered between, among others, Aideweixuan, Shanghai Boming and SHIVC Investment dated 20 August 2020 governing the terms of the indirect investment of the Partnership through Shanghai Wentang and Innovital Baoli as described under the paragraph headed “Management – Undertaking Letter”
“%”	per cent

By order of the Board
Activation Group Holdings Limited
Lau Kam Yiu and Ng Bo Sing
Joint-Chairmen

Shanghai, PRC, 20 August 2020

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Lau Kam Yiu, Mr. Ng Bo Sing, Mr. Chan Wai Bun and Ms. Low Wei Mun and three independent non-executive Directors, namely, Ms. Cheung Siu Wan, Mr. Yu Longjun and Dr. Cheung Wah Keung.