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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)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Activation Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020 (“**1H2020**”) together with comparative figures for the six months ended 30 June 2019 (“**1H2019**”). These interim results have been reviewed by the Company’s Audit Committee.

#### **RESULTS OF OPERATIONS OF THE GROUP**

The revenue of the Group for the first half of 2020 declined to RMB71.8 million (1H2019: RMB273.0 million) and a gross profit of RMB25.8 million (1H2019: RMB87.7 million) was recorded. The loss attributable to equity shareholders of the Company amounted to RMB19.3 million (1H2019: profit of RMB17.6 million). Basic loss per share was RMB2.5 cents.

#### **BUSINESS REVIEW AND OUTLOOK**

The Group is a leading and fast-growing integrated marketing solutions provider that principally engaged in the provision of integrated marketing solutions and the intellectual property development. As a 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 with coverage in the Greater China.

As the Group’s business is subject to seasonality, it usually records 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 People’s Republic of China (the “**PRC**”). But since the beginning of 2020, the business of the Group had been temporary negatively impacted by various factors. These factors include the China-United States trade war, the political unrest in Hong Kong and the outbreak of coronavirus disease (COVID-19) (“**Pandemic**”), which resulted in a decrease in the number of engagements for brand events.

The experiential marketing services and public relation services are evidently impacted by the Pandemic since both businesses are taking place offline. A number of premium and luxury brands events have been put on hold or postponed. Most of the large scale public events need to be approved in advance by the government, but after the outbreak of the Pandemic, a number of provinces in the PRC have taken various measures to prevent the spread of the Pandemic, including but without limitation to, temporary restriction of public gathering and events and travel restriction. The restriction was gradually loosened from April 2020, so it is expected that these two businesses will begin to recover in the second half of 2020. Meanwhile, the digital and brand communication business has not been affected by the Pandemic, and even achieved a slight growth as compared to 1H2019. Furthermore, some of the marketing budget were reallocated from offline to online events, creating a great opportunity for the digital marketing services sector.

Despite of the difficult operating environment, the Group has successfully been engaged by several luxury and premium brands to be the experiential marketing service provider in organising the brand events and intellectual property (“IP”) development in the PRC in the second half of 2020.

On 2 June 2020, Shanghai Aideweixuan Sports Development Co., Ltd. (上海艾德韋宣體育發展有限公司), an indirect non-wholly owned subsidiary of the Company entered into a memorandum of understanding with Guangzhou Yuerun Information Technology Co., Ltd. (廣州悅跑信息科技有限公司) (“GYIT”) in respect of a possible co-operation to develop and operate a new online sports cycling mobile app. GYIT is a high-tech company focusing on the provision of a wide range of services for Chinese running enthusiasts through mobile internet applications and offline events. As at the date of this announcement and with reference to the official website of the GYIT, the total number of the users using mobile internet applications exceeded 80 million covering 2,100 cities all over the world and 29,000 registered running groups in the PRC.

Thanks to the effective control on COVID-19 in the PRC, the business and marketing activities are getting back to normal in the second half of 2020, while the Pandemic continues to spread in the other countries and areas. It is believed that premium and luxury brand clients will turn to the PRC market due to relatively fast economic rebound and the Group will benefit from the situation. In July and August 2020, the Group had successfully held a series of fashion events, including the Dior “Designer of Dreams” Exhibition and Louis Vuitton Men’s Spring-Summer 2021 Show.

## Geographical Review

Our business is conducted in the PRC, Hong Kong and Singapore. The following table sets forth our breakdown of revenue by geographic region for the periods indicated:

	For the six months ended 30 June			
	2020		2019	
	<i>RMB'000</i>		<i>RMB'000</i>	
	(Unaudited)		(Unaudited)	
PRC	67,409	93.9%	252,794	92.6%
Hong Kong & Singapore	4,383	6.1%	20,255	7.4%
Total	<u>71,792</u>	<u>100.0%</u>	<u>273,049</u>	<u>100.0%</u>

## **Business Segment Review**

During the 1H2020, revenues of the Group's integrated marketing solutions segment and IP development segment were RMB70.8 million (1H2019: RMB253.6 million) and RMB1.0 million (1H2019: RMB19.4 million) respectively.

### **Integrated Marketing Solutions Segment**

#### ***(a) Experiential Marketing***

The Group is an experiential marketing services provider to premium and luxury brands in Greater China by providing a comprehensive range of marketing solutions to our clients including event concept, event planning, productions and managements. Through the projects we designed, organised and managed by the Group, our clients can expect to achieve significant brand building and promotional effect to mass public or targeted recipients. This kind of public activities has become more difficult to obtain approval from the government after the outbreak of the Pandemic; and the first quarter of 2020 is usually a low season for premium and luxury brands in the PRC.

The revenue generated from such services decreased from RMB195.8 million in the 1H2019 to RMB20.0 million in the 1H2020.

#### ***(b) Digital and Brand Communication***

The Group's digital and brand communication services usually help customers promote their brands and products on social media platforms such as Weibo, WeChat, douyin, Xiaohongshu, Facebook, Instagram, etc. The Group oversees the overall project implementation process, including creative strategy, management and coordination of parties involved in a project, devising detailed work plans, actualising the project until it goes online, as well as carrying out maintenance and on-going online services on a retainer basis. Since the majority of the offline marketing events cannot be held in the first half of 2020, some of the brands have reallocated their marketing budgets to the online marketing activities.

As a result of the reason mentioned above, the revenue generated from such services increased from RMB45.4 million in the 1H2019 to RMB47.1 million in the 1H2020.

#### ***(c) Public Relations***

The Group's public relations services typically involve marketing activities that help its clients to develop communication plans to reach out to their targeted consumers. The Group's services include public relations strategic consultancy services, day-to-day client communications, media relationship management, liaison and celebrity coordination services.

The revenue generated from such services decreased from RMB12.4 million in the 1H2019 to RMB3.7 million in the 1H2020.

## **IP Development Segment**

The Group has ventured into the area of IP development with a focus on sports and entertainment. These IP development brands, although relatively new in the PRC, have global appearances and superb publicity effect. The Board believes that coupling them with the Group's integrated marketing solutions segment will bring out massive business potential and will create many new business opportunities for our integrated marketing solutions segment. Our IP development activities has been affected by the outbreak of the Pandemic, but is expected to recover in the second half of 2020, for example, the company is currently organising one Le Tour de France match in Yunnan Province scheduled to take place in the late October 2020.

The revenue generated from this service decreased from RMB19.4 million in 1H2019 to RMB1.0 million in the 1H2020.

The Group is planning to hold a number of IP projects in the second half of 2020 and these will strengthen the sustainability of the IP developments segment of the Group. Moreover, the development of this segment led to more business in the integrated marketing solutions segment including experiential marketing and public relations services, creating synergy between different businesses within the Group.

## **FINANCIAL REVIEW**

### **Cost of sales**

The cost of sales of the Group decreased from RMB185.4 million for the 1H2019 to RMB46.0 million for the 1H2020. Overall speaking, the decrease in the Group's cost of sales was mainly caused by the decrease in our revenue. The fluctuations in the cost of sales components were mainly dependent on the types and mix of projects carried out by the Group in the respective periods. The cost of sales components mainly includes production cost, media cost and venue rental cost.

### **Gross profit and gross profit margin**

As a result of the foregoing, the Group's gross profit decreased from RMB87.7 million in the 1H2019 to RMB25.8 million in the 1H2020. The Group's overall gross profit margin increased from 32.1% for the 1H2019 to 35.9% for the 1H2020. It was mainly due to the increase in gross profit margin of each segment of integrated marketing solutions and the proportions in revenue of public relations and digital and brand communication segments have increased in the 1H2020.

### **Other income and gains**

The Group's other income and gains increased from RMB7.0 million for the 1H2019 to RMB8.8 million for the 1H2020. The increase in other income and gains was mainly due to the increase in interest income derived from proceeds.

## **Selling and distribution expenses**

The Group's selling and distribution expenses decreased from RMB33.8 million for the 1H2019 to RMB30.1 million for the 1H2020. Such decrease was primarily due to the decrease in staff cost. In the 1H2020, the Group increased its investment in its business operations under the digital and brand communication segment while the decrease in the salary expenditure in other business segment.

## **General and administrative expenses**

The Group's general and administrative expenses decreased from RMB25.4 million for the 1H2019 to RMB20.7 million for the 1H2020. Such decrease was primarily due to the decrease in staff costs, since the senior management of the Group has voluntarily lowered their salary to alleviate the impact of the Pandemic.

## **Other expenses, net**

The Group's other expenses, recorded a net decrease from RMB0.8 million for the 1H2019 to RMB0.3 million for the 1H2020. The decrease in other expenses was mainly due to the decrease of foreign exchange losses.

## **Finance costs**

The Group's finance costs increased from RMB0.6 million for the 1H2019 to RMB1.9 million for the 1H2020, mainly due to interest generated from the one-off loan borrowed for the global offering of the Company in January 2020 ("IPO") which was repaid in March 2020.

## **Net loss**

The Group recorded a net loss of RMB20.0 million for the 1H2020 (2019: net profit of RMB22.9 million). The loss was mainly due to the decrease in revenue.

## **DIVIDEND**

The Board does not recommend the payment of any interim dividend for the 1H2020.

## **LIQUIDITY AND FINANCIAL RESOURCES**

### **Cash and cash equivalents**

As at 30 June 2020, the Group's cash and cash equivalents amounted to approximately RMB332.4 million (31 December 2019: RMB129.5 million).

## Net proceeds from the initial public offering of the Company (the “IPO”)

The Shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 16 January 2020. Pursuant to the allotment results announcement of the Company dated 15 January 2020, the net proceeds from the IPO were approximately HK\$345.0 million.

The following table sets out the breakdown of the utilisation of net proceeds from the IPO as at 30 June 2020.

Designated use of net proceeds	Percentage	Net Proceeds <i>HK\$ million</i>	Utilisation	Unutilised
			as at 30 June 2020 <i>HK\$ million</i>	net proceeds as at 30 June 2020 <i>HK\$ million</i>
To develop and expand our existing business of integrated marketing solutions and IP development	55.9%	192.8	4.7	188.1
Cash reserve for strategic investment funds for suitable cooperation or investment opportunities	34.2%	118.0	0.0	118.0
General working capital and general corporate purpose	9.9%	34.2	34.2	0.0
<b>Total</b>	<b>100.0%</b>	<b>345.0</b>	<b>38.9</b>	<b>306.1</b>

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

## Borrowing and charges on the Group’s assets

As at 30 June 2020, the Group did not have any interest-bearing borrowing (31 December 2019: RMB74.8 million). The decrease in borrowings was mainly due to repayments of all loans after the IPO.

## Gearing ratio

The gearing ratio as at 30 June 2020, calculated on the basis of bank and other borrowings over total equity, was nil as compared with 103.9% as at 31 December 2019. The decrease in the gearing ratio was mainly due to the one-off loans borrowed by the Group in 2019 to repurchase the equity held by part of the original shareholders of the Group. These repurchases reduced the Group’s owner’s equity on 31 December 2019 and increased the Group’s current liabilities.

With the current level of cash and cash equivalents as well as available banking facilities, the Group's liquidity position remains strong and has sufficient financial resources to meet its current working capital requirement and future expansion.

## **Human Resources**

As at 30 June 2020, the total number of employees of the Group was approximately 276 and the employee benefit expenses including directors' emoluments were approximately RMB36.1 million. The Group offers a comprehensive remuneration package which is reviewed by management on a regular basis. The Group also invests in continuing education and training programs for its management staff and other employees with a view to constantly upgrade their skills and knowledge. The Group values employees as its most valuable assets and believes effective employee engagement is an integral part of business success. In this context, effective communication with employees at all levels is highly valued with the ultimate goal to enhance the efficiency in providing quality service to the clients.

## **Trade receivables and trade payables**

The trade receivables of the Group decreased from RMB170.3 million as at 31 December 2019 to RMB78.1 million as at 30 June 2020; and the trade payables of the Group decreased from RMB149.7 million as at 31 December 2019 to RMB 57.7 million as at 30 June 2020.

In general, the decrease in trade receivables and trade payables were mainly due to: i) seasonality, the Group usually records lower sales in 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; ii) the number of projects in automobile industry with longer billing period has lowered in the 1H2020, resulting in the overall decrease in the trade receivables; and iii) from 2019, the Group has been consciously improving its capital turnover efficiency and strengthened its receivables collection management.

## **Contingent liabilities**

The Group has no material contingent liabilities as at 30 June 2020.

## **Acquisition and disposal of subsidiary and associated companies**

The Group had no material acquisitions and disposals of subsidiaries and associated companies during the 1H2020.

## **Foreign Exchange Risk**

The Group operates in the PRC, Hong Kong and Singapore with transactions mainly denominated and settled in Renminbi. The income and bank deposits of the Group were substantially denominated in Renminbi to meet the Group's development and operation needs in the PRC. Other than the foreign currency denominated bank deposits, the Group does not have any other material exposure to foreign exchange risk.

The Group continues to adopt a proactive approach to closely monitor the foreign currency market, as well as explore the domestic capital market for financing opportunities and consider other hedging arrangements if such need arises.



## MARKET REVIEW

In order to respond to the latest market changes which are affected by China-United States trade war and Pandemic, the Group will take the following actions in the future:

### **1. Putting further efforts into brand customers in the Internet and consumer industries**

After holding the anniversary celebration for the PRC internet giant Alibaba last year, the Group realised that the demand for experiential marketing services is growing for high-quality brands in the domestic Internet industry. The Group has set up an office in Hangzhou, the hub of Internet companies in PRC, aiming at a gradual expansion of the experience marketing business from fashion, jewelry and automobiles sectors to the Internet and other consumer industry markets.

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

The digital marketing is emerging in the PRC. With the outbreak of coronavirus disease (COVID-19) in the PRC, the real economy has been severely damaged, creating a good opportunity for the rapid development of the digital marketing. At the same time, the advanced 5G development in the PRC has presented huge business opportunities to digital marketing. The Group will use customised software for big data analysis to improve operating efficiency and service types. In order to rapidly increase business volume and market share, the Group plans to accelerate the development of digital marketing business through mergers and acquisitions in the PRC, and is identifying acquisition targets such as marketing automation, big data, and self-media multi-channel network (MCN) companies.

### **3. Expanding the geographical coverage of experiential marketing business**

For overseas market outside the PRC, the Group focuses on the mid-range and high-end consumer service market, and is identifying suitable international mergers and acquisitions targets, aiming at becoming one of the leading global integrated marketing solution service providers focusing on serving mid-range and high-end brands while further improving the competitiveness of the Group and expanding coverage of businesses outside Asia.

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

The increasing health awareness of consumers will facilitate demand on sports activities bringing a new development opportunity for sports marketing. In response to the current market environment, the Group will adjust its integrated marketing strategy to provide customers with the most suitable integrated marketing solutions, attract more premium partners and clients and strengthen and expand the sports IP business. The Group will respond to the challenges in the current economy with a positive attitude. The second half of the year is a traditional peak season for the industry. The Group hopes that as the Pandemic eases up and the economy gradually picks up, the demand for luxury goods is expected to recover, which will in turn bring a rebound in the consumer market. The Group will closely monitor the market conditions and seize the opportunity of market reversal.



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
	Notes		
<b>REVENUE</b>	4	71,792	273,049
Cost of sales		<u>(45,990)</u>	<u>(185,387)</u>
Gross profit		25,802	87,662
Other income and gains	4	8,781	6,972
Selling and distribution expenses		(30,102)	(33,827)
General and administrative expenses		(20,722)	(25,441)
Other expenses, net		(264)	(793)
Finance costs		(1,916)	(578)
Share of profits and losses of associates		<u>(254)</u>	<u>37</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	(18,675)	34,032
Income tax expense	6	<u>(1,277)</u>	<u>(11,117)</u>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<u>(19,952)</u>	<u>22,915</u>
Attributable to:			
Owners of the parent		(19,267)	17,621
Non-controlling interests		<u>(685)</u>	<u>5,294</u>
		<u>(19,952)</u>	<u>22,915</u>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8		
Basic and diluted (RMB cents)		<u>(2.47)</u>	<u>2.94</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>(19,952)</b>	<b>22,915</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>5,794</u>	<u>(162)</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b><u>(14,158)</u></b>	<b><u>22,753</u></b>
Attributable to:		
Owners of the parent	(13,473)	17,459
Non-controlling interests	<u>(685)</u>	<u>5,294</u>
	<b><u>(14,158)</u></b>	<b><u>22,753</u></b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,972	1,873
Right-of-use assets		14,461	16,569
Goodwill		10,233	10,233
Intangible assets		212	268
Investment in associates		5,491	5,512
Deferred tax assets		547	551
Total non-current assets		32,916	35,006
<b>CURRENT ASSETS</b>			
Investments in entertainment projects		470	1,594
Trade receivables	9	78,116	170,322
Prepayments, deposits and other receivables		30,065	14,324
Pledged bank deposits		—	8,940
Cash and cash equivalents		332,363	129,493
Total current assets		441,014	324,673
<b>CURRENT LIABILITIES</b>			
Trade payables	10	57,720	149,673
Other payables and accruals		43,323	33,547
Interest-bearing bank and other borrowings		—	74,813
Lease liabilities		3,746	4,175
Tax payable		2,400	11,975
Total current liabilities		107,189	274,183
<b>NET CURRENT ASSETS</b>		333,825	50,490
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		366,741	85,496
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		11,604	13,257
Deferred tax liabilities		219	210
Total non-current liabilities		11,823	13,467
Net assets		354,918	72,029

	30 June 2020 (Unaudited) <i>RMB'000</i>	31 December 2019 (Audited) <i>RMB'000</i>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Issued capital	683	88
Share premium	270,974	—
Reserves	<u>71,809</u>	<u>59,804</u>
	343,466	59,892
Non-controlling interests	<u>11,452</u>	<u>12,137</u>
Total equity	<u><u>354,918</u></u>	<u><u>72,029</u></u>

## NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 1. CORPORATE AND GROUP INFORMATION

Activation Group Holdings Limited is a limited liability company incorporated in the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at 8/F, No. 399A Liu Zhou Road, Xu Hui District, Shanghai, the People's Republic of China (the "PRC"). The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 January 2020 (the "Listing").

The Company is an investment holding company. During the six months ended 30 June 2020 (the "Relevant Period"), the Company's subsidiaries were involved in the following principal activities:

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

### 2.1 BASIS OF PREPARATION

The unaudited condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The unaudited condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

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

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

Other than as further explained below regarding the impact of Amendment to HKFRS 16 *COVID-19 Related Rent Concessions*, the revised standards are not relevant to the preparation of the Group's unaudited interim condensed consolidated financial information. The nature and impact of the amendment to HKFRS 16 are described below:

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

During the period ended 30 June 2020, no monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The amendment did not have any impact on the financial position and performance of the Group.

### **3. 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/loss before tax except that unallocated gains, finance costs and corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, right-of-use assets, pledged bank deposits and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, dividend payable, tax payable, lease liabilities, deferred tax liabilities and corporate and other unallocated liabilities as these liabilities are managed on a group basis.



**Six months ended 30 June 2020 (unaudited)**

	<b>Integrated marketing solutions RMB'000</b>	<b>IP development RMB'000</b>	<b>Total RMB'000</b>
<b>Segment revenue</b>			
Sales to external customers	70,754	1,038	<u>71,792</u>
<b>Segment results</b>	(11,274)	(2,825)	(14,099)
<u>Reconciliation:</u>			
Corporate and other unallocated expenses, net			(2,660)
Finance costs			<u>(1,916)</u>
Loss before tax			<u>(18,675)</u>
<b>Other segment information</b>			
Depreciation and amortisation	411	56	467
Impairment of trade receivables	823	27	850
Capital expenditure*	516	—	516
<b>As at 30 June 2020 (unaudited)</b>			
<b>Segment assets</b>	215,340	27,746	243,086
<u>Reconciliation:</u>			
Corporate and other unallocated assets			<u>230,844</u>
Total assets			<u>473,930</u>
<b>Segment liabilities</b>	91,736	6,443	98,179
<u>Reconciliation:</u>			
Corporate and other unallocated liabilities			<u>20,833</u>
Total liabilities			<u>119,012</u>

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

**Six months ended 30 June 2019 (unaudited)**

	Integrated marketing solutions <i>RMB '000</i>	IP development <i>RMB '000</i>	Total <i>RMB '000</i>
<b>Segment revenue</b>			
Sales to external customers	253,586	19,463	<u>273,049</u>
<b>Segment results</b>	41,994	1,484	43,478
<u>Reconciliation:</u>			
Corporate and other unallocated expenses, net			(8,868)
Finance costs			<u>(578)</u>
Profit before tax			<u>34,032</u>
<b>Other segment information</b>			
Depreciation and amortisation	494	3	497
Impairment of trade receivables	767	—	767
Capital expenditure*	517	—	517
<b>As at 31 December 2019 (audited)</b>			
<b>Segment assets</b>	291,378	40,937	332,315
<u>Reconciliation:</u>			
Corporate and other unallocated assets			<u>27,364</u>
Total assets			<u>359,679</u>
<b>Segment liabilities</b>	138,866	28,142	167,008
<u>Reconciliation:</u>			
Corporate and other unallocated liabilities			<u>120,642</u>
Total liabilities			<u>287,650</u>

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

## Geographical information

### (a) Revenue from external customers

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Mainland China	67,409	252,794
Hong Kong/Singapore	4,383	20,255
	<u>71,792</u>	<u>273,049</u>

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

### (b) Non-current assets

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Mainland China	12,371	12,374
Hong Kong/Singapore	5,537	5,512
	<u>17,908</u>	<u>17,886</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 derived from sales to external customers by the integrated marketing solutions segment contributing over 10% to the total revenue of the Group for the periods ended 30 June 2020 and 2019 is as follows:

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Customer A	11,171	N/A*
Customer B	7,634	N/A*
Customer C	—#	30,812

Revenue from these customers include sales to a group of entities which are known to be under common control with these customers.

\* Contributing less than 10% to the total revenue of the Group in the prior period

# The Group has no transaction with this customer in the current period

#### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000 (unaudited)
Revenue from contracts with customers		
<b>Major service lines</b>		
<i>Integrated marketing solutions</i>		
Experiential marketing services	20,017	195,800
Digital and brand communication services	47,035	45,398
Public relations services	3,702	12,388
	<u>70,754</u>	<u>253,586</u>
<i>IP development</i>		
Sports and entertainment services	1,038	19,463
	<u>71,792</u>	<u>273,049</u>
<b>(i) Disaggregated revenue information</b>		
<b>Geographical locations</b>		
<i>Integrated marketing solutions</i>		
Mainland China	66,371	233,331
Hong Kong/Singapore	4,383	20,255
	<u>70,754</u>	<u>253,586</u>
<i>IP development</i>		
Mainland China	1,038	19,463
	<u>1,038</u>	<u>19,463</u>
Total revenue from contracts with customers	<u>71,792</u>	<u>273,049</u>
<b>Timing of revenue recognition</b>		
At a point in time	21,055	215,263
Over time*	50,737	57,786
	<u>71,792</u>	<u>273,049</u>

\* Included projects on retainer basis

The following table shows the amounts of revenue recognised in the reporting period that were included in the contract liabilities at the beginning of each of the reporting periods:

	2020 RMB'000	2019 RMB'000 (unaudited)
Integrated marketing solutions	307	3,192
IP development	88	8,285
	<u>395</u>	<u>11,477</u>

An analysis of other income and gains is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (unaudited)
Other income and gains		
Bank interest income	1,457	488
Government grants and subsidies*	7,063	6,372
Others	261	112
	<u>8,781</u>	<u>6,972</u>

\* Various government grants and subsidies have been received by certain subsidiaries from PRC's and Hong Kong'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 and subsidies.

## 5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June 2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (unaudited)
Cost of services rendered	45,990	185,387
Depreciation of property, plant and equipment**	411	438
Depreciation of right-of-use assets**	2,108	1,076
Amortisation of intangible assets**	56	59
Fair value losses/(gains) on investment in entertainment projects*	511	(70)
Impairment of trade receivables, net*	850	767
Foreign exchange differences, net	<u>(1,106)</u>	<u>(30)</u>

\* Included in "Other expenses, net" in the interim condensed consolidated statement of profit or loss.

\*\* Included in "General and administrative expenses" in the interim condensed consolidated statement of profit or loss.

## 6. INCOME TAX

Taxes on profits assessable in Mainland China have been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% (2019: 25%) during the period.

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 profit tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, if any, except for those which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>
Current — PRC		
Charge for the period	<b>1,264</b>	9,861
Deferred	<b>13</b>	1,256
	<hr/>	<hr/>
Total tax charge for the period	<b>1,277</b>	11,117
	<hr/>	<hr/>

## 7. DIVIDEND

The dividend declared by a subsidiary of the Company to its then shareholders during the prior period are as follows:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Dividend	<b>—</b>	33,544
	<hr/>	<hr/>

## 8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share for the six months ended 30 June 2020 is based on the loss attributable to ordinary equity holders of the parent of RMB19,267,000 (six months ended 30 June 2019: profit attributable to ordinary equity holders of the parent of RMB17,621,000), and the weighted average number of the Company's ordinary shares of 779,187,044 (six months ended 30 June 2019: 600,000,000) in issue, comprising capitalisation issue, as if the respective shares were outstanding throughout the periods presented.

No adjustment has been made to the basic earnings/(loss) per share presented for the periods ended 30 June 2020 and 2019 as the Group had no potentially diluted ordinary shares in issue during those periods.



## 9. TRADE RECEIVABLES

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

	<b>30 June 2020 (Unaudited) RMB'000</b>	<b>31 December 2019 (Audited) RMB'000</b>
Billed		
Within 1 month	<b>19,736</b>	57,894
1 to 3 months	<b>7,278</b>	33,179
Over 3 months	<b>7,719</b>	13,180
	<hr/>	<hr/>
	<b>34,733</b>	104,253
Unbilled	<b>43,383</b>	66,069
	<hr/>	<hr/>
	<b>78,116</b>	170,322
	<hr/> <hr/>	<hr/> <hr/>

## 10. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2020 (Unaudited) RMB'000</b>	<b>31 December 2019 (Audited) RMB'000</b>
Within 1 month	<b>14,120</b>	109,392
1 to 3 months	<b>5,820</b>	19,279
Over 3 months	<b>37,780</b>	21,002
	<hr/>	<hr/>
	<b>57,720</b>	149,673
	<hr/> <hr/>	<hr/> <hr/>

## OTHER INFORMATION

### Purchase, sale or redemption of the Company's listed securities

During the 1H2020, the Company exercised its powers under the general mandate to repurchase Shares granted by the Shareholders to the Board, which shall be expired on the conclusion of the next annual general meeting of the Company (the “**Share Repurchase Plan**”), and repurchased a total of 28,438,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$24,237,000. All these repurchased shares were subsequently cancelled. As at 30 June 2020, a total of 5,066,000 Shares which were repurchased at a cost of approximately HK\$5,414,000 and have not yet been cancelled.

### Compliance with Corporate Governance Code (“CG Code”)

The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules. In the opinion of the Directors, the Company has fully complied with CG Code during the 1H2020 except for the deviation from the Code Provision A.2.1 of the CG Code.

Mr. Lau Kam Yiu (“**Mr. Lau**”) is currently performing the roles of Joint-Chairman of the Board and Chief Executive Officer of the Group. Under Code Provision A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Taking into account Mr. Lau's extensive experience in the marketing industry, the Board considered that the roles of joint-chairman and chief executive officer being performed by Mr. Lau enables more effective business planning and implementation by the Group. In order to maintain good corporate governance and fully comply with the provisions of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of joint-chairman and chief executive officer separately.

### Code of Conduct for Securities Transactions

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuer” (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors, the Group's senior management, and employees who are likely to be in possession of inside information in relation to the Group or the Company's securities due to their positions.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the 1H2020. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the 1H2020.

## SUBSEQUENT EVENTS AFTER 1H2020

1. On 2 July 2020, Activation Group Co., Ltd (上海艾德韋宣股份有限公司) (“**Activation Group**”), an indirect non-wholly owned subsidiary of the Company, entered into a memorandum of understanding on strategic cooperation (the “**MOU**”) with HTC Corporation (宏達國際電子股份有限公司) (“**HTC**”) in respect of building up a long-term strategic relationship on the application of virtual reality (“**VR**”) in the event industry in PRC. Given the solid background of HTC in the provision of the VR solutions, the Board considers that the strategic partnership with HTC would enable the Company to lead in the market for event management and this can bring strategic benefit and new revenue streams to the Group. HTC is a world-renowned virtual reality equipment research and development, design and manufacturing company. Its Vive brand VR equipment has the world’s leading level. HTC has established offices in Shanghai, Beijing, Guangzhou and other large and medium-sized cities in the PRC, and its production base is located in Kangqiao, Pudong, the PRC. For details, please refer to the Company’s announcement dated 2 July 2020.
2. On 16 July 2020, two shareholders of the Company (as vendors) entered into a conditional share transfer agreement with Shanghai Innovital Capital (“**SHIVC**”, as purchaser) , an independent third party, 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. For details, please refer to the Company’s announcement dated 16 July 2020.

SHIVC is initiated by the Shanghai Municipal Government in 2015 and is principally engaged in equity investment and investment management in strategic emerging fields. As at the date of this announcement, the total value of funds managed by SHIVC is over RMB50 billion. Those funds have invested in 780 innovative enterprises and 796 business incubation projects. Many leading enterprises with independent intellectual property rights have been fostered.

3. On 20 August 2020, the Group has entered into a limited partnership agreement with 上海雙創投資管理有限公司(Shanghai Innovital Capital Investment Management Co., Ltd.) and 上海雙創科技投資中心(有限合夥)(Shanghai Innovital Technology Capital (Limited Partnership), both of them are the independent third parties, to establish a partnership. The purpose of the partnership shall invest in pan-cultural sector projects (including fashion, sports and entertainment industry, digital and creative marketing segment). As at the date of this announcement, this transaction has not yet been completed. For details, please refer to the Company’s announcement dated 20 August 2020.

## Audit Committee and review of financial statements

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three independent non-executive Directors, namely Ms. Cheung Siu Wan, Mr. Yu Longjun and Dr. Cheung Wah Keung. Ms. Cheung Siu Wan was appointed as the chairlady of the Audit Committee.

The Audit Committee has reviewed the Group's unaudited interim results for the 1H2020, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, internal control and financial reporting matters.

### **Publication of 2020 interim results and interim report**

This unaudited interim results announcement of the Group for the 1H2020 is published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.activation-gp.com](http://www.activation-gp.com). The 2020 interim report containing all applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in September 2020.

### **APPRECIATION**

On behalf of the Board, we would like to take this opportunity to express our gratitude to the management and staff of the Group for their commitment and contribution. We would also like to express our appreciation to the guidance from the regulators and continued support from the Shareholders and customers.

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

Hong Kong, 27 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.*

*This announcement is available for viewing on the Company's website at [www.activation-gp.com](http://www.activation-gp.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk).*