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ACTIVATION GROUP
艾德韦宣
Activation Group Holdings Limited
艾德韦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 2021**

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 2021 (“**2021 Interim**”) together with comparative figures for the six months ended 30 June 2020 (“**2020 Interim**”). These interim results have been reviewed by the Company’s audit committee.

FINANCIAL HIGHLIGHTS

- The revenue of the Group for the 2021 Interim recorded a substantial increase of about 436.5% from about RMB71.8 million for 2020 Interim to about RMB385.2 million for 2021 Interim.
- The Group recorded a profit of about RMB38.5 million (2020 Interim: loss of RMB20.0 million). Profit attributable to owners of the Company was about RMB35.5 million (2020 Interim: loss of RMB19.3 million).
- Basic earnings per share is RMB4.80 cents, compared to the loss per share of RMB2.47 cents for 2020 Interim.

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK1.03 cents per ordinary share and an interim special dividend of HK6.93 cents per ordinary share for the six months ended 30 June 2021 (2020: nil), which amounted to HK\$60,076,000.

The record date for the interim dividend and interim special dividend is Thursday, 26 August 2021. The above dividends are expected to be distributed to the shareholders of the Company (the “**Shareholders**”) on or about Tuesday, 7 September 2021.

BUSINESS REVIEW

The Group is 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 Greater China. The Group also focused on the sports and entertainment intellectual property (“IP”) development sector. Since 2016, the Group has started its IP development business for sports market where the Group entered into cooperation agreements with each of LaLiga and Amaury Sport Organisation for granting the Group 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.

Integrated marketing solutions

After the impact of the pandemic in the first half of 2020, China’s economy has achieved rapid recovery and rebound, and this trend has continued in 2021. As a result of economic recovery, coupled with the impact of inflation, high-end consumption has been significantly stimulated, which has also driven the rapid growth of the luxury marketing industry. As a market leader in the luxury experiential marketing industry, our experiential marketing and public relations businesses have benefited greatly and achieved very significant growth. According to the research report of China Insights Industry Consultancy Limited, the Company is still the largest experiential marketing service provider in Greater China in 2020 and accounted for 7.0% of the total market share in 2020.

On the other hand, the pandemic has accelerated the digitalisation of business for Chinese brands. Brands have increased their budget in digital marketing while more and more brands have started to open stores on e-commerce platforms, and the proportion of e-commerce channels in the total sales of brands has been increasing. Therefore, in the first half of 2021, the Group decided to increase its investment in digital marketing and e-commerce, and upgrade its original digital marketing services to comprehensive digital marketing solutions which include the Multi-Channel Network (“MCN”) business and target media service.

The Group established a new business unit in the MCN sector named Avant Plus with its business focus on the fashion industry. As the date of this announcement, the Company has signed collaboration agreement with more than 10 key opinion leaders (“KOLs”) and celebrities in the fashion industry, including famous movie star Ms. Charmaine Sheh (佘詩曼), fashion blogger Boynam (江南) and fashion KOLs like Di Bai Nai Nai (迪拜奶奶). With the Group’s brand resources and digital marketing solutions, the Group has assisted them in building up their social media accounts, expanding their fan base, and supporting fashion labels in promotion and word-of-mouth marketing.

For the target media service launched by the Group this year, the Group has expanded its digital services from content production to the media and advertising, helping its clients reach their target customers in different social media platforms. This service was soon recognised by the Group’s clients and generated nearly RMB20 million in revenue in the first half of 2021.

Since the second half of 2020, live streaming e-commerce, as a new marketing strategy and sales channel, is becoming more and more popular among consumers while being recognised by brands. The Group recently entered into a strategic cooperation with Vision Future (Shanghai) Media Technology Co., Ltd. (“**Vision Entertainment**”), a leading agency of Douyin e-commerce, and established a joint venture (the Group holds 51% majority shares) to explore the huge potential of livestreaming e-commerce business which is at the forefront of digital marketing in mainland China. The cooperation is mainly to provide Douyin livestreaming e-commerce for stars and celebrities and Douyin store branding operation service for luxury and fashion labels. Combining the celebrities and brand resources of the Group as well as the extensive experience in livestreaming e-commerce of Vision Entertainment, the joint venture is committed to expand the online brand marketing and e-commerce in the Douyin market, and also cultivate Douyin Live streaming e-commerce to introduce more famous artists and celebrities to join livestream e-commerce. As at 31 July 2021, the joint venture has completed more than 20 star livestreaming sessions, resulting in gross merchandise volume (“**GMV**”) of brands exceeding RMB100 million. This joint venture is expected to be profitable and contribute to the growth of the Group’s revenue and profit. After Avant Plus, the Group will, through such cooperation with Vision Entertainment, strive to realise commercial brand advertising by the Douyin Star matrix, bringing customers’ products into livestreaming e-commerce and creating a new ecological model of star livestreaming and Douyin e-commerce. The Group will continue to look for suitable opportunities for merger and acquisition as well as cooperation in the field of livestreaming e-commerce and e-commerce operations.

IP development

The IP development segment has resumed and achieved significant growth in the first half of this year, with the Group completing one successful CRITERIUM RIDE race in the first half of the year and planning two to three more in the second half of 2021. Meanwhile, Activation Group’s subsidiary has recently signed a MOU of Cooperation Intent with Hongkong Land’s affiliated company, under which the parties plan to establish a JV company to jointly operate the relevant venues in West Bund Financial Hub in Xuhui District, Shanghai. The West Bund Financial Hub will be a world-class waterfront landmark in Shanghai, featuring fashion & art, technology & finance, health & wellness, urban luxury travel and other themes, and will be a premier product launch venue for brands from around the world. In addition, the Group signed a strategic cooperation agreement in April 2021 with Fosun Fashion Group (one of the largest independent luxury groups in China), a subsidiary of Fosun International Limited (listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), stock code: 00656.HK), and became the preferred marketing partner and strategic shareholder of all its brand portfolios.

PROSPECTS

In light of the pandemic, after taking into in-depth consideration, the Group will create new e-commerce marketing and MCN/KOL business department combined with the original public relations and experiential marketing and digital marketing services, through the above series of strategic and equity cooperation to strengthen investments in digital marketing and e-commerce, and implement business upgrades and strategic deployments, thereby strategically upgrading the Group as an interactive data performance marketing group for fashion brands. Therefore, the Group is expected to be more online-offline-integrated, more data-driven, and more sales-oriented in marketing, so as to strive for providing brands with high-quality marketing services in a more valuable and measurable way.

In the past, the Group's experiential marketing business was not only to provide event venue set-up and design services for brands, but also to help brands provide content services to their target consumers. Our clients would invite their most valuable customers to the event site for an in-depth experience on the products and culture of luxury goods. In many cases, such experience would be transformed into sales in a short time. Unlike mass consumer goods, luxury brands have a small group of target customers, so the offline marketing effect of luxury brands is more accurate. However, due to low frequency of experiential marketing and huge one-off investment, it is difficult to maintain frequent communication with precise target customer groups. Although the Group may obtain more understanding from consumers, the consumer reach and conversion rate is relatively low. Meanwhile, digital marketing is effective in maintaining precise target customer groups, which is why the Group has been increasing investment in digital marketing for many years.

As mentioned before, the pandemic has driven the birth of livestreaming e-commerce. The Group has noticed that the dissemination on online channels (especially social media channels) of offline experiential marketing interactive activities are able to attract public attention and effectively activate online data interaction. From 2020 to 2021, a number of brand livestreaming that the Group organised had over millions or ten millions of views. The next step of the Group's strategy will be to develop digital marketing technology and e-commerce, and to provide global e-commerce services. The establishment of joint venture with Vision Entertainment and Avant Plus, the MCN agency founded by the Group, are only the first step. It has shown the Group has a broad future based on data interaction. The Group will further seize the opportunity for the brand to enter the Douyin e-commerce in the future to realise the seamless connection of online to offline marketing for the brand. As reported by media, the GMV generated from Douyin's E-commerce is estimated to reach RMB1,000 billion in 2021. The Group sees that its advantages can transform in this aspect, and is expected to become an important service partner in the business of Douyin e-commerce. The Group is also further improving its ability in e-commerce operations, and hopes to connect and realise offline and online consumer data, constantly improve and accumulate consumer behaviour and preference data of mid-to-high-end brand consumers, assist brand make operational decisions, enhance the strategic value and reliance on the Group by the brands, and ultimately increase the Group's profits by sharing the profit from the incremental e-commerce sales of the brands.

Geographical Review

The Group's business is conducted in the PRC, Hong Kong and Singapore. The Group's revenue in Hong Kong for 2021 Interim has increased by more than 200% compared with 2020 Interim, and the business is gradually returning to its normal level. The following table sets forth the breakdown of revenue by geographic region for the periods indicated:

	For the six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>		<i>RMB'000</i>	
	(Unaudited)		(Unaudited)	
PRC	370,008	96.1%	67,409	93.9%
Hong Kong & Singapore	15,180	3.9%	4,383	6.1%
Total	<u>385,188</u>	<u>100.0%</u>	<u>71,792</u>	<u>100.0%</u>

Business Segment Review

During the 2021 Interim, revenues of the Group's integrated marketing solutions segment and IP development segment were approximately RMB375.1 million (2020 Interim: RMB70.8 million) and approximately RMB10.1 million (2020 Interim: RMB1.0 million), respectively.

The following table sets out the revenue of the Group by service line for 2021 Interim and 2020 Interim:

	2021 Interim <i>RMB'000</i>	2020 Interim <i>RMB'000</i>	Increase %
<i>Integrated marketing solutions</i>			
Experiential marketing solutions	277.3	20.0	1,286.5
Digital and brand communication services	78.3	47.1	66.2
Public relations service	19.5	3.7	427.0
<i>IP development</i>			
Sports and entertainment services	10.1	1.0	910.0
Total	385.2	71.8	436.5

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. Due to the rapid growth of luxury consumption in mainland China and the recovery of Hong Kong market from the impact of COVID-19, the Group has launched a number of events in the first half of 2021, such as CARTIER “Trees” Exhibition, GUCCI “Aria” Collection Launch Show, CINDY CHAO “The Art Jewel” Exhibition, GUCCI Garden “Archetypes” Exhibition, PRADA OUTDOOR POPUP, and MERCEDES-AMG GLA 35 & GLB 35 Extraordinary Journey.

All the events were successfully held and the media influence reached millions of targeted audience, and the revenue generated from such services has significantly increased by 1,286.5% from approximately RMB20.0 million for 2020 Interim to approximately RMB277.3 million for 2021 Interim.

(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. As mentioned in the business review, the Group expanded the original scope of service for digital marketing to comprehensive digital campaign offering which include the MCN and target media services. During 2021 Interim, the Group is the retainer agency of numerous brands, including MAXMARA, CLARINS, GIVENCHY BEAUTY, SK-II, TORY BURCH and LOEWE. During 2021 Interim, the Group has also launched a few digital marketing campaigns, for instance LEGO CNY Digital Campaign, BALABALA "Boundless Dream" Campaign and DIOR 2021 J'adore Infinissime MP Project.

Due to the expansion of digital and brand communication services offered to clients, the revenue generated from such services increased by 66.2% from approximately RMB47.1 million in the 2020 Interim to approximately RMB78.3 million in the 2021 Interim.

(c) Public Relations

The Group's public relations services typically involve marketing activities that help its clients 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 Group is the retainer agency of DELVAUX, ROSEWOOD, L'ARTISAN and PENHALIGONS. Besides, the Group also carried out many PR events in the first half of 2021, such as CARTIER Tmall Super Brand Day Livestreaming, FENDI 21SS Couture Shanghai Event, LOUIS VUITTON Foundation Exhibition, BA 2021 New Collection Launch Show, etc.

Due to the launch of a number of sizeable PR events during 2021 Interim, the revenue generated from such services recorded a substantial increase of 427.0% from approximately RMB3.7 million for 2020 Interim to approximately RMB19.5 million for 2021 Interim.

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. During the 2021 Interim, the Group has organised 2021 Critérium Ride Race in Lin-gang, Shanghai, which attracted more than 2,000 riders to join in.

As a result of the launch of the 2021 Critérium Ride Race during 2021 Interim, the revenue generated from this service increased significantly by 910.0% from approximately RMB1.0 million for 2020 Interim to approximately RMB10.1 million for 2021 Interim.

Currently, the Group has entered into two business cooperation agreements on IP business: (i) cooperation agreement with FISE (the world famous X-games league under Hurricane Group) to develop the X-games matches/ground in China in 2021; and (ii) strategic partner agreement with Jiu Shi Sports Group (one of largest state-owned sports group which owned the exclusive right to Formula 1, ATP shanghai 1000, Shanghai Longines Global Champion Tour and other famous sports IP) to co-develop the IP owned by both parties in the PRC.

FINANCIAL REVIEW

Cost of sales

The cost of sales of the Group increased from RMB46.0 million for 2020 Interim to RMB279.2 million for 2021 Interim. Overall speaking, the increase in the Group's cost of sales was mainly caused by the increase 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 include production cost, third party service cost, media cost and venue rental cost.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by 310.9% from RMB25.8 million in 2020 Interim to RMB106.0 million for 2021 Interim. Its overall gross profit margin decreased from 35.9% for 2020 Interim to 27.5% for 2021 Interim. Such decrease in gross profit margin was due to the fact that marketing events could not be held in the first half of 2020; the digital marketing segment which carried a higher gross profit accounted for a relatively high proportion, resulting in a high gross profit margin. Meanwhile, the Group has extended the target media marketing business in digital marketing. The revenue of this kind of business is sizable, but the gross profit margin is relatively low, which will also decrease the gross profit margin of the Group. The gross profit margin for 2021 Interim is very close to the gross profit margin for the year ended 31 December 2020 which is 28.8%.

Other income and gains

The Group's other income and gains decreased from RMB8.8 million for 2020 Interim to RMB5.1 million for 2021 Interim. The decrease in other income and gains was mainly due to the decrease in government grants and subsidies.

Selling and distribution expenses

The Group's selling and distribution expenses increased from RMB30.1 million for 2020 Interim to RMB32.5 million for 2021 Interim. Such increase was primarily due to the increase in staff cost.

General and administrative expenses

The Group's general and administrative expenses decreased from RMB20.7 million for 2020 Interim to RMB18.5 million for 2021 Interim. Such decrease was primarily due to the exclusion of expenses incurred from the initial public offering (the “**IPO**”) of the shares of the Company (the “**Shares**”) during the 2020 Interim.

Other expenses, net

The Group's other expenses recorded a net increase from RMB0.3 million for 2020 Interim to RMB2.4 million for 2021 Interim. The increase in other expenses was mainly due to the increase of impairment of trade receivables.

Finance costs

The Group's finance costs decreased from RMB1.9 million for 2020 Interim to RMB0.3 million for 2021 Interim, mainly due to the Group having no outstanding bank loan for the 2021 Interim.

Net profit

The Group recorded a net profit of RMB38.5 million for 2021 Interim (2020 Interim: net loss of RMB20.0 million) which was in line with the increase in revenue.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and cash equivalents

As at 30 June 2021, the Group's cash and cash equivalents amounted to approximately RMB300.4 million (31 December 2020: RMB302.9 million).

Net proceeds from the IPO

The Shares were listed on the Main Board of the Stock Exchange on 16 January 2020. Pursuant to the allotment results announcement of the Company dated 15 January 2020, the net proceeds from the IPO (the “**Net Proceeds**”) were approximately HK\$345.0 million.

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

The following table sets out the breakdown on the revised utilisation of net proceeds.

Designated use of the Unutilised Net Proceeds	Original allocation of Net Proceeds <i>HK\$ million</i>	Unutilised Net Proceeds as at 31 December 2020 <i>HK\$ million</i>	Unutilised Net Proceeds as at 19 April 2021 <i>HK\$ million</i>	Revised allocation of Unutilised Net Proceeds as at 19 April 2021 <i>HK\$ million</i>	Utilised Net Proceeds for the period from 1 January 2021 to 30 June 2021 <i>HK\$ million</i>	Unutilised Net Proceeds as at 30 June 2021 <i>HK\$ million</i>
Develop and expand the existing business of integrated marketing solutions and IP development	192.8	44.8	37.6	37.6	20.7	24.1
Cash reserve for strategic investment funds for suitable cooperation or investment opportunities	118.0	5.2	5.2	5.2	—	5.2
General working capital and general corporate purpose	34.2	—	—	—	—	—
Capital commitment required for the establishment of the partnership with SHIVC Investment and Shanghai Innovital Technology	—	224.5	224.5	—	—	—
Cash reserve for strategic investment in the pan-cultural sector	—	—	—	224.5	19.5	205.0
Total	345.0	274.5	267.3	267.3	40.2	234.3

As at 30 June 2021, the Company had utilised HK\$110.7 million of the Net Proceeds. The Company is expected to utilise all unutilised amounts within the next 2 years.

Borrowing and charges on the Group's assets

As at 30 June 2021, the Group did not have any interest-bearing borrowing (31 December 2020: nil).

Gearing ratio

The gearing ratio as at 30 June 2021, calculated on the basis of bank and other borrowings over total equity, was nil (31 December 2020: nil).

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

Human Resources

As at 30 June 2021, the total number of employees of the Group was approximately 292 and the employee benefit expenses including directors' emoluments were approximately RMB39.7 million. The Group offers a comprehensive remuneration package to its employees which is reviewed by the management on a regular basis. The Group also invests in continuing education and training programs for its management staff and other employees with a view to constantly upgrade their skills and knowledge. The Group values employees as its most valuable assets and believes effective employee engagement is an integral part of business success. In this context, effective communication with employees at all levels is highly valued with the ultimate goal to enhance the efficiency in providing quality service to the clients.

Trade receivables and trade payables

The trade receivables of the Group increased from RMB222.7 million as at 31 December 2020 to RMB260.9 million as at 30 June 2021; and the trade payables of the Group increased from RMB143.5 million as at 31 December 2020 to RMB180.6 million as at 30 June 2021. Both increases were mainly due to the increase in revenue.

Contingent liabilities

The Group has no material contingent liabilities as at 30 June 2021.

Acquisition and disposal of subsidiary and associated companies

The Group had no material acquisitions and disposals of subsidiaries and associated companies during 2021 Interim.

Capital Commitment

As at 30 June 2021, the Group had commitment of RMB5.1 million (2020: nil) relating to the future capital contributions payable to a joint venture.

Foreign Exchange Risk

Most of the Group's income and expenditures are denominated in Renminbi, being the functional currency of the Group, and hence, the Group does not have any material foreign exchange exposures.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
	Notes		
REVENUE	4	385,188	71,792
Cost of sales		<u>(279,203)</u>	<u>(45,990)</u>
Gross profit		105,985	25,802
Other income and gains	4	5,080	8,781
Selling and distribution expenses		(32,542)	(30,102)
General and administrative expenses		(18,488)	(20,722)
Other expenses, net		(2,436)	(264)
Finance costs		(302)	(1,916)
Share of losses of an associate and a joint venture		<u>(567)</u>	<u>(254)</u>
PROFIT/(LOSS) BEFORE TAX	5	56,730	(18,675)
Income tax expense	6	<u>(18,235)</u>	<u>(1,277)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>38,495</u>	<u>(19,952)</u>
Attributable to:			
Owners of the parent		35,499	(19,267)
Non-controlling interests		<u>2,996</u>	<u>(685)</u>
		<u>38,495</u>	<u>(19,952)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted (RMB cents)		<u>4.80</u>	<u>(2.47)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
PROFIT/(LOSS) FOR THE PERIOD	38,495	(19,952)
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>(2,146)</u>	<u>5,794</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>36,349</u>	<u>(14,158)</u>
Attributable to:		
Owners of the parent	33,353	(13,473)
Non-controlling interests	<u>2,996</u>	<u>(685)</u>
	<u>36,349</u>	<u>(14,158)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		1,798	1,881
Right-of-use assets		10,488	12,948
Goodwill		10,233	10,233
Intangible assets		398	351
Investment in a joint venture		408	156
Investment in an associate		4,810	5,129
Investment at fair value through other comprehensive income		16,013	—
Deferred tax assets		871	524
Total non-current assets		45,019	31,222
CURRENT ASSETS			
Trade receivables	8	260,874	222,702
Prepayments, deposits and other receivables		49,845	31,069
Pledged bank deposits		665	674
Cash and cash equivalents		300,352	302,935
Total current assets		611,736	557,380
CURRENT LIABILITIES			
Trade payables	9	180,610	143,459
Other payables and accruals		38,045	45,313
Lease liabilities		3,028	4,495
Tax payable		13,488	13,054
Total current liabilities		235,171	206,321
NET CURRENT ASSETS		376,565	351,059
TOTAL ASSETS LESS CURRENT LIABILITIES		421,584	382,281
NON-CURRENT LIABILITIES			
Lease liabilities		8,242	9,247
Deferred tax liabilities		190	197
Total non-current liabilities		8,432	9,444
Net assets		413,152	372,837

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
EQUITY		
Equity attributable to owners of the parent		
Issued capital	668	674
Reserves	396,604	359,255
	397,272	359,929
Non-controlling interests	15,880	12,908
Total equity	413,152	372,837

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 2021 (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

2.1 BASIS OF PREPARATION

The unaudited condensed consolidated financial information for the six months ended 30 June 2021 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 2020.

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 2020, 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 9,
HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform — Phase 2

*COVID-19-Related Rent Concessions beyond
30 June 2021 (early adopted)*

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

Other than as further explained below, 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 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have 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 2021 (Unaudited)

	Integrated marketing solutions RMB'000	IP development RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	375,100	10,088	385,188
Segment results	56,575	2,569	59,144
<u>Reconciliation:</u>			
Corporate and other unallocated expenses, net			(2,112)
Finance costs			(302)
Profit before tax			56,730
Other segment information			
Depreciation and amortisation	458	14	472
Impairment of trade receivables	1,973	134	2,107
Capital expenditure*	449	—	449
As at 30 June 2021 (Unaudited)			
Segment assets	456,315	37,063	493,378
<u>Reconciliation:</u>			
Corporate and other unallocated assets			163,377
Total assets			656,755
Segment liabilities	195,902	9,540	205,442
<u>Reconciliation:</u>			
Corporate and other unallocated liabilities			38,161
Total liabilities			243,603

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

Six months ended 30 June 2020 (Unaudited)

	Integrated marketing solutions <i>RMB'000</i>	IP development <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue			
Sales to external customers	70,754	1,038	<u>71,792</u>
Segment results	(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>
Other segment information			
Depreciation and amortisation	411	56	467
Impairment of trade receivables	823	27	850
Capital expenditure*	516	—	516
As at 31 December 2020 (Audited)			
Segment assets	384,051	36,843	420,894
<u>Reconciliation:</u>			
Corporate and other unallocated assets			<u>167,708</u>
Total assets			<u>588,602</u>
Segment liabilities	164,076	13,088	177,164
<u>Reconciliation:</u>			
Corporate and other unallocated liabilities			<u>38,601</u>
Total liabilities			<u>215,765</u>

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

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Mainland China	370,008	67,409
Hong Kong/Singapore	15,180	4,383
	<u>385,188</u>	<u>71,792</u>

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

(b) Non-current assets

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Mainland China	12,837	12,621
Hong Kong/Singapore/others	20,823	5,129
	<u>33,660</u>	<u>17,750</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 2021 and 2020 is as follows:

	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Customer A	92,093	—*
Customer B	54,422	—#
Customer C	—#	11,171
Customer D	—*	7,634

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 current/prior period

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Revenue from contracts with customers		
Major service lines		
<i>Integrated marketing solutions</i>		
Experiential marketing services	277,343	20,017
Digital and brand communication services	78,299	47,035
Public relations services	19,458	3,702
	375,100	70,754
<i>IP development</i>		
Sports and entertainment services	10,088	1,038
	385,188	71,792
(i) Disaggregated revenue information		
Geographical locations		
<i>Integrated marketing solutions</i>		
Mainland China	359,920	66,371
Hong Kong/Singapore	15,180	4,383
	375,100	70,754
<i>IP development</i>		
Mainland China	10,088	1,038
Total revenue from contracts with customers	385,188	71,792
Timing of revenue recognition		
At a point in time	287,431	21,055
Over time*	97,757	50,737
Total revenue from contracts with customers	385,188	71,792

* 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:

	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Integrated marketing solutions	8,791	307
IP development	370	88
	9,161	395

An analysis of other income and gains is as follows:

	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Other income and gains		
Bank interest income	349	1,457
Government grants and subsidies*	3,934	7,063
Others	797	261
	5,080	8,781

- * 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 2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Cost of services rendered	279,203	45,990
Depreciation of property, plant and equipment**	412	411
Depreciation of right-of-use assets**	2,460	2,108
Amortisation of intangible assets**	60	56
Fair value losses on investment in entertainment projects*	—	511
Gain on disposal of property, plant and equipment	(1)	(60)
Impairment of trade receivables, net*	2,107	850
Foreign exchange differences, net	(360)	(1,106)

- * 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% (2020: 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% (2020: 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% (2020: 17%) on the estimated assessable profits arising in Singapore during the period, if any.

	For the six months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB '000	RMB '000
Current — PRC		
Charge for the period	18,589	1,264
Deferred	(354)	13
Total tax charge for the period	18,235	1,277

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

The calculation of the basic earnings per share for the six months ended 30 June 2021 is based on the profits attributable to ordinary equity holders of the parent of RMB35,499,000 (six months ended 30 June 2020: loss attributable to ordinary equity holders of the parent of RMB19,267,000), and the weighted average number of the Company's ordinary shares of 740,127,000 (six months ended 30 June 2020: 779,187,000) 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 2021 and 2020 as the Group had no potentially diluted ordinary shares in issue during those periods.

8. 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:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Billed		
Within 1 month	70,384	98,285
1 to 3 months	2,369	16,008
Over 3 months	2,890	6,711
	<hr/>	<hr/>
	75,643	121,004
Unbilled	185,231	101,698
	<hr/>	<hr/>
	260,874	222,702
	<hr/> <hr/>	<hr/> <hr/>

9. 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:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 1 month	97,319	121,751
1 to 3 months	36,117	2,802
Over 3 months	47,174	18,906
	<hr/>	<hr/>
	180,610	143,459
	<hr/> <hr/>	<hr/> <hr/>

OTHER INFORMATION

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders' entitlement to the interim dividend and the interim special dividend, the register of members of the Company will be closed from Tuesday, 24 August 2021 to Thursday, 26 August 2021, both days inclusive, during which period no transfer of Shares will be registered. As such, all transfers accompanied by the relevant share certificates must be lodged with the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration by 4:30 p.m. on Monday, 23 August 2021.

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

During 2021 Interim, the Company exercised its powers under the general mandate to repurchase Shares granted by the Shareholders to the Board, which shall expire at the conclusion of the next annual general meeting of the Company, and repurchased a total of 7,118,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$5,996,440. 7,094,000 repurchased shares were cancelled during 2021 Interim. As at 30 June 2021, a total of 1,004,000 Shares which were repurchased at a cost of approximately HK\$861,180 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 2021 Interim 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 2021 Interim. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the 2021 Interim.

SUBSEQUENT EVENTS AFTER 2021 INTERIM

The Company recently entered into a strategic cooperation with Vision Entertainment, a leading agency of Douyin e-commerce, and established a joint venture to explore the huge potential of livestreaming e-commerce business which is at the forefront of digital marketing in mainland China. The joint venture is expected to provide Douyin livestreaming e-commerce for stars and celebrities and Douyin store branding operation service for luxury and fashion labels. Please refer to the announcement of the Company dated 8 July 2021 for further details.

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 is the chairlady of the Audit Committee.

The Audit Committee has reviewed the Group’s unaudited interim results for 2021 Interim, 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 2021 INTERIM RESULTS AND INTERIM REPORT

This unaudited interim results announcement of the Group for 2021 Interim is published on the Stock Exchange’s website at www.hkexnews.hk and the Company’s website at www.activation-gp.com. The 2021 interim report containing all applicable information required under the Listing Rules will be despatched to the Shareholders and published on the above websites in September 2021.

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 our clients.

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

Hong Kong, 3 August 2021

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 and the Stock Exchange's website at www.hkexnews.hk.