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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 2023

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 2023 (“**2023 Interim**”) together with comparative figures for the six months ended 30 June 2022 (“**2022 Interim**”) and certain comparative figures as at 31 December 2022. These interim results have been reviewed by the Company’s audit committee.

FINANCIAL HIGHLIGHTS

- The revenue of the Group for 2023 Interim recorded a substantial increase of about 102.7% from approximately RMB172.8 million for 2022 Interim to approximately RMB350.3 million for 2023 Interim.
- The Group recorded a net profit of approximately RMB41.0 million for 2023 Interim (2022 Interim: net loss of RMB8.5 million). Profit attributable to owners of the parent was approximately RMB38.1 million (2022 Interim: net loss of RMB8.5 million).
- Basic earnings per share is RMB5.11 cents for 2023 Interim (2022 Interim: basic loss per share of RMB1.16 cents).

INTERIM DIVIDEND

The Board declares the payment of an interim dividend of HK2.00 cents per ordinary share for 2023 Interim (2022 Interim: nil), which amounted to nearly HK\$14,895,000.

The record date for the interim dividend will be Wednesday, 30 August 2023. The above dividend is expected to be distributed to the shareholders of the Company (the “**Shareholders**”) on or about Thursday, 14 September 2023.

BUSINESS REVIEW

The Group is a leading marketing group for pan-fashion (泛時尚) brands in Greater China that mainly focuses on the provision of (i) experiential marketing, (ii) digital and communication, and (iii) intellectual property (“IP”) development in Greater China. The Group has accumulated over 550 world-renowned brand clients including (i) renowned mid-range and high-end fashion brands; (ii) renowned mid-range and high-end automobile brands; and (iii) Chinese local premium brands. According to China Insights Industry Consultancy Limited, the Group continues to be the largest experiential marketing service provider for mid-range and high-end fashion brands in Greater China with a market share of 10.0% in 2022.

In the first half of 2022, economic activities in Mainland China and the operations of the Group were severely impacted by the COVID-19 pandemic. Preventive measures led to a significant reduction in offline activities, posing challenges to the overall business of the Group.

Since early 2023, as China lifted its strict pandemic prevention measures, economic activities gradually returned to normalcy, and there has been an obvious recovery in the service industry and consumption. This has brought opportunities to the Group as its customers’ demand for experiential marketing also began to rise with these changes. In the past, the mid-range and high-end consumer market has shown a steadily increasing trend. This trend has been further propelled post-pandemic, leading to a rebound of the luxury goods marketing industry. As a leader in the industry, the Group has benefited from its rich experience and efficient operational teams. As the market revived, the Group quickly seized opportunities and benefited from them, achieving significant growth in the first half of 2023.

According to the 2023 spring luxury study by Bain & Company, the global luxury market sales reached 345 billion Euro in 2022, and a further growth of 5%-12% to 360-380 billion Euro is expected in 2023. In addition, it also expected that the global luxury market sales will reach 530-570 billion Euro in 2030, being around 2.5 times of 2020. Meanwhile, the Chinese market is expected to become the largest luxury goods market globally in 2025. With Chinese consumers becoming the largest consumer group in the world, major fashion and beauty luxury brands are increasing their efforts to attract the attention of Chinese consumers. It is evident that after years of development of the luxury goods market in the Mainland China, the changes in consumers’ recognition of brand value and pursuit of high quality of life have become positive drivers for the market’s future.

One-stop Integrated Marketing Services

As a leading marketing group for pan-fashion brands in Greater China, the Group's goal is to provide comprehensive marketing solutions for its clients to help them to increase their brand awareness, boost sales and enhance customer loyalty. To achieve this goal, the Group helps its clients to integrate online and offline consumer data as well as continuously improve and accumulate consumer behaviour and preference data of mid-range and high-end brand consumers, so as to help brands make better operational decisions, increase sales and enhance the Group's strategic value and dependence for the brands. Such complete one-stop closed-loop marketing model can help clients of the Group to better understand their consumers and provide superior products and services, which improves customer satisfaction and loyalty, thereby achieving long-term sustainable commercial success.

Mid-range and high-end luxury experiential marketing is a strength of the Group and has been playing an important role in its service portfolio. In 2023 Interim, the Group's overall business has gradually recovered, with experiential marketing being particularly critical. The Group's experiential marketing service is not only to provide event venue setup and design services for brands, but also to help brands provide in-depth content services to their target consumers. Clients of the Group would invite their most valuable customers to participate in activities and have 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. Given that the Group's experiential marketing business has generated a wealth of online data, this data can be leveraged to enable online and offline data interaction, enhancing and accumulating data on the behavior and preferences of premium brand consumers. Such data plays a key role in assisting brands in making critical operational decisions.

Meanwhile, the Group noticed an upward trend of the young consumer group of luxury goods. As the Marketing Insight Report on Digital Trends of China's Luxury Market 2022 published by Tencent Marketing Insight (TMI) and Boston Consulting Group (BCG) points out, the age structure of the overall luxury market is becoming younger, with post-95s (i.e. generation born between 1995 to 1999) becoming the main force in the market and post-00s (i.e. generation born between 2000 to 2009) emerging. Moreover, offline activities such as exhibitions are often the first window for young potential customers to understand the brand, which provide more room for the development of the Group's experiential marketing. The Group will continue striving for providing brands with high-quality marketing services in a more valuable and measurable way, helping its clients to enhance consumer reach and conversion rate by further optimising the Group's experiential marketing and digital marketing, thus achieving a significant increase in sales in the Chinese market.

In order to obtain more clients and enhance business operations, the Group not only relies on endogenous growth, but also seeks more long-term partners through strategic cooperation. The Group has established a strategic cooperation relationship with Lanvin Group Holdings Ltd. (“**Lanvin Group**”) (Stock code: LANV), one of the largest independent luxury brands group in China and publicly listed on the New York Stock Exchange in 2022. As the preferred marketing partner for all of Lanvin Group’s brand portfolios and a strategic shareholder, the Group is well-positioned to leverage this exciting opportunity for business development to further enhance the Group’s business operations and growth potential. The Group is optimistic about Lanvin Group’s development prospects and looks forward to the benefits to both parties brought about by the strategic cooperation.

IP Development

In 2023 Interim, the Group’s IP business began to recover. “Shanghai Design Week”, the Group’s cultural IP, has completed multiple domestic and international activities, indicating that its brand influence and market attractiveness are continuously increasing. Moreover, the operation of “West Bund Orbit” exhibition hall in West Bund Financial Hub in Xuhui District in Shanghai by a joint venture of the Group and Hongkong Land progressed well and is expected to officially open to the public by the end of 2023, which will provide a new high-end offline scenario for the Group’s clients. In terms of sports IP, the Group is discussing with a number of major tourism cities in China to conduct the Le Tour de France tournament, which is progressing smoothly. Sports events are strongly attractive and have wide-spread influence, which can further enhance the Group’s brand awareness and market influence. As the exclusive operator of multiple IPs, through the effort of the Group's team, the IP business shall become an important driver for future business growth.

Outlook

Overall, China’s economy has been recovering in the first half of 2023. However, China is currently still in the recovery stage of economic operations and the critical stage of industrial upgrading, whilst the external environment is still severe and complex.

Looking ahead to the future, the Group remains optimistic. The Group will continue to monitor market developments and optimise its services to fulfill market demands, while leveraging the Group’s competitive advantages to provide customers with high-quality services, promote continuous growth in business, and enhance its competitiveness and industry-leading position.

Talent is the cornerstone of the Company's development. The Group will continue to allocate resources to improve the comprehensive quality and ability of employees, laying a solid talent foundation for the Company’s long-term development. The Group is confident that with an excellent team, it can better cope with future challenges, seize market opportunities and achieve sustainable business growth.

Geographical Review

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

	For the six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>		<i>RMB'000</i>	
	(Unaudited)		(Unaudited)	
Mainland China	313,159	89.4%	166,061	96.1%
Hong Kong & Singapore	37,103	10.6%	6,711	3.9%
Total	350,262	100.0%	172,772	100.0%

Business Segments Review

During 2023 Interim, the revenue of the Group's experiential marketing services segment, digital and communication services segment and IP development segment amounted to approximately RMB280.2 million (2022 Interim: RMB107.6 million), RMB61.6 million (2022 Interim: RMB65.2 million) and RMB8.5 million (2022 Interim: RMB4,000) respectively.

The following table sets out the revenue of the Group by service line for 2023 Interim and 2022 Interim:

	For the six months ended 30 June	
	2023	2022
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited)
Experiential marketing	280.2	107.6
Digital and communication	61.6	65.2
IP development	8.5	0.0
Total	350.3	172.8

Experiential Marketing

According to the research report by China Insights Industry Consultancy Limited, the Group continues to be the largest experiential marketing service provider for mid-range and high-end fashion brands in Greater China with a market share of 10.0% in 2022. The Group's experiential marketing business scope covers creative design, rendering contents, event planning, event management and execution, to the target consumers of the brands, to help the Group's customers to enhance brand awareness and strengthen consumer engagement. Since 2020, the Group has actively promoted data interactive marketing business. The combination of physical events with data interactive services did not only create contents but also provide massive online exposure and secondary marketing to expand coverage and enhance marketing effect. Previously, several offline marketing events conducted by the Group were livestreamed, which drew millions to hundreds of millions of views online.

During 2023 Interim, the Group has held a number of events, including ARCTERYX "Upwards Beauty" themed show, CARTIER "Cartier and Women" special exhibition, CHANEL "Première Funfair Event", COMME MOI "Spring/Summer 2023 Show", DIOR "Autumn 2023 Collection Preview", GUCCI "Gucci Cosmos" archive exhibition, LORO PIANA "Summer Resort 2023 Collection" pop-up store, LOUIS VUITTON "Women's Pre-Fall 2023 Show", MERCEDES-BENZ "All-new EQE pure electric SUV launch in China" festival, OPPO "Find X6 Series Launch Event" and PUYUAN "2023 PUYUAN Fashion Week". The success of these events has once again proved the Group's expertise in the experiential marketing sector.

During 2023 Interim, the Group's experiential marketing business has recorded with a revenue of approximately RMB280.2 million, representing an increase of 160.4% as compared to approximately RMB107.6 million in 2022 Interim. The significant growth in 2023 Interim, with the revival of the experiential marketing economy from the effect of the pandemic in 2022 Interim, reflects the effectiveness of the Group's marketing strategy as well as the market's strong demand for experiential marketing.

The revenue generated from experiential marketing business segment accounted for 80.0% of the Group's total revenue in 2023 Interim. This demonstrates the dominant position of the Group in this field and the success of its business model to grasp the marketing demand of premium brands in Mainland China.

Digital and Communication

The Group's digital and communication services mainly help customers promote their brands and products on social media platforms such as Weibo, WeChat, Douyin, Xiaohongshu, Facebook, Instagram, etc. The Group oversees the overall project implementation process, including formulating creative strategy, managing and coordinating parties involved in a project, devising detailed work plans, actualising the project until it goes online, as well as carrying out maintenance and on-going online services on a retainer basis. Since 2020, the Group has been providing data interactive services, generating millions to billions of viewerships through online platforms. Such kind of online promotion has also effectively increased the sales revenue of customers. The Group actively seizes cooperation opportunities and promotes the livestream e-commerce business of its joint ventures. Since 2022, the Group has been deploying additional value-added service solutions for metaverse marketing to better respond to the rapid changes in the digital age and provide customers with more comprehensive marketing services.

During 2023 Interim, the Group has provided online marketing services for numerous brands, including BARBOUR, BOBBI BROWN, DIESEL, FILA, GENTLE MONSTER, HAMILTON, JACQUEMUS, KENZO, LA PRAIRIE, L'OCCITANE, LOEWE PERFUME, MAKE UP FOR EVER, MARC JACOBS, MAX&CO, MAX MARA, NEW BALANCE, REMY MARTIN, ROGER DUBIES, SEPHORA, SK-II, TORY BURCH and VENCHI.

In 2023 Interim, the revenue of the digital and communication business was approximately RMB61.6 million, representing a decrease of 5.5% as compared to approximately RMB65.2 million in 2022 Interim, which accounted for 17.6% of the Group's total revenue for 2023 Interim. With the pandemic gradually stabilizing, the Group believes some clients tends to temporarily reallocate their marketing budgets to offline marketing activities, resulting in a lower demand for digital marketing as compared to that in 2022. Such shift in market trend is also reflected in the growth in the Group's experiential marketing segments during 2023 Interim. With its capability in offering all-rounded marketing services to its clients, the Group is confident that it would be able to adapt to changes in market demand and provide marketing services to meet its clients' needs.

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

IP Development

The Group owns long-term exclusive operating rights for a number of IPs, including Shanghai Design Week, D UNIVERSE, West Bund Orbit, Le Tour de France and LaLiga Club. During 2023 Interim, Shanghai Design Week successfully held multiple events in China and overseas, including the "AIGC Builders and Creators Conference", "18th International Architecture Exhibition La Biennale di Venezia Pavilion of the P.R. China", "2023 Made in Shanghai Expo" and "Shanghai Design Week – Design Express à Shanghai". "World Design Cities Conference (WDCC)" and a series design-related events of Shanghai Design Week are expected to be held successively in the second half of 2023. Other IP businesses are also under preparation and planning and will be launched in succession in the future, which will not only provide more marketing opportunities, but also further enhance the brand recognition and market influence of the Group.

In 2023 Interim, the revenue for the IP development business was approximately RMB8.5 million (2022 Interim: approximately RMB4,000), which accounted for 2.4% of the Group's total revenue in 2023 Interim. The increase in revenue was mainly due to several projects completed from Shanghai Design Week. Despite a small proportion of revenue contribution, the IP business has great development potential. With the Group's continuous efforts and the growth in market demand, the proportion of revenue generated from the IP business is expected to increase.

FINANCIAL REVIEW

Cost of sales

The cost of sales of the Group increased from approximately RMB120.1 million for 2022 Interim to approximately RMB245.2 million for 2023 Interim, which was in line with the increase in revenue. The cost of sales mainly includes production cost, third party service cost, media cost and venue rental cost which may fluctuate depending on the types and mix of projects carried out by the Group in the relevant period.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by 99.4% from approximately RMB52.7 million in 2022 Interim to approximately RMB105.1 million for 2023 Interim. Its overall gross profit margin remained relatively stable at 30.5% for 2022 Interim and 30.0% for 2023 Interim.

Other income and gains

The Group's other income and gains increased from approximately RMB8.0 million for 2022 Interim to approximately RMB10.5 million for 2023 Interim. The increase in other income and gains was mainly due to the increase in government grants and subsidies.

Selling and distribution expenses

The Group's selling and distribution expenses slightly increased from approximately RMB36.6 million for 2022 Interim to approximately RMB36.8 million for 2023 Interim.

General and administrative expenses

The Group's general and administrative expenses decreased from approximately RMB27.2 million for 2022 Interim to approximately RMB24.1 million for 2023 Interim. Such decrease was primarily due to the decrease in share award expenses from approximately RMB6.9 million for 2022 Interim to approximately of RMB3.3 million in 2023 Interim, which was arising from the grant of shares to two executive Directors in March 2023.

Other expenses, net

The Group's other expenses recorded a decrease from approximately RMB0.8 million for 2022 Interim to approximately RMB0.5 million for 2023 Interim.

Finance costs

The Group's finance costs remained at approximately RMB0.2 million for 2023 Interim (2022 Interim: RMB0.2 million).

Net profit and net profit margin

As a result of the foregoing, the Group recorded a net profit of approximately RMB41.0 million for 2023 Interim. The net profit margin was 11.7% for 2023 Interim.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and cash equivalents

As at 30 June 2023, the Group's cash and cash equivalents amounted to approximately RMB313.2 million (as at 31 December 2022: RMB300.3 million), which were mainly denominated in Renminbi and Hong Kong dollars.

Net proceeds from the Global Offering

The shares of the Company (the “**Shares**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 January 2020. The net proceeds from the global offering of the Shares (“**Global Offering**”) including the over-allotment of Shares were approximately HK\$345.0 million (the “**Net Proceeds**”).

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

The following table sets out the breakdown on the revised utilisation of the Net Proceeds.

Designated use of the Net Proceeds	Original allocation of Net Proceeds <i>HK\$ million</i>	Revised allocation of Net Proceeds <i>(Note)</i> <i>HK\$ million</i>	Unutilised Net Proceeds as at 1 January 2023 <i>HK\$ million</i>	Net Proceeds utilised during 2023 Interim <i>HK\$ million</i>	Unutilised Net Proceeds as at 30 June 2023 <i>HK\$ million</i>
Develop and expand the existing business of integrated marketing solutions and IP development	192.8	81.1	—	—	—
Cash reserve for strategic investment funds for suitable cooperation or investment opportunities	118.0	5.2	5.2	—	5.2
General working capital and general corporate purpose	34.2	34.2	—	—	—
Cash reserve for strategic investment in the pan-cultural sector	—	224.5	161.5	—	161.5
Total	345.0	345.0	166.7	—	166.7

Note: For details of the changes in the use of the Net Proceeds, please refer to the announcements of the Company dated 20 August 2020 and 19 April 2021 (the “Announcements”).

During 2023 Interim, the Group has not utilised any Net Proceeds. Save as disclosed in the Announcements, there has been no material change in the intended use of the Net Proceeds. The Group is expected to utilise all Unutilised Net Proceeds within the year ending 31 December 2024.

Borrowing and charges on the Group's assets

As at 30 June 2023, the Group did not have any interest-bearing borrowing (as at 31 December 2022: nil) or charge on its assets.

Gearing ratio

Since the Group did not have any bank borrowings, the gearing ratio as at 30 June 2023, calculated on the basis of bank and other borrowings over total equity, was nil (as at 31 December 2022: nil).

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

Employees and remuneration policies

As at 30 June 2023, the total number of employees of the Group was approximately 241 (as at 30 June 2022: 262). For the 2023 Interim, the employee benefit expenses of the Group (including Directors' emoluments) were approximately RMB46.4 million (2022 Interim: RMB52.4 million).

The Group offers a comprehensive remuneration package to its employees, which is generally structured with reference to market terms and individual merits, and reviewed by the management on a regular basis. The Group also invests in continuing education and training programs for its management staff and other employees with a view to constantly upgrade their skills and knowledge. The Group values employees as its most valuable assets and believes effective employee engagement is an integral part of business success. In this context, effective communication with employees at all levels is highly valued with the ultimate goal to enhance the efficiency in providing quality service to the clients. The Company has also adopted a share option scheme and a share award plan with the purposes of, among others, giving incentives or rewards to eligible participants for their contribution to the growth and development of the Group.

Trade receivables and trade payables

The trade receivables of the Group decreased from approximately RMB308.9 million as at 31 December 2022 to approximately RMB225.6 million as at 30 June 2023; and the trade payables of the Group decreased from approximately RMB289.6 million as at 31 December 2022 to approximately RMB246.7 million as at 30 June 2023.

Contingent liabilities

The Group has no material contingent liabilities as at 30 June 2023.

Acquisition and disposal of subsidiaries and associated companies

The Group had no material acquisitions and disposals of subsidiaries and associated companies during 2023 Interim.

Capital commitment

As at 30 June 2023, the Group had commitment of approximately RMB5.1 million (as at 31 December 2022: RMB5.1 million) relating to the future capital contributions payable to a joint venture.

Significant investments

The Group has no significant investments, including investment in companies with a value of 5% or more of the Company's total assets as at 30 June 2023.

Future plan for material investments or capital assets

The Group does not have plans for material investments and capital assets for the year ending 31 December 2023 as at the date of this announcement.

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 2023

	Notes	For the six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
REVENUE	4	350,262	172,772
Cost of sales		<u>(245,185)</u>	<u>(120,075)</u>
Gross profit		105,077	52,697
Other income and gains	4	10,465	8,042
Selling and distribution expenses		(36,754)	(36,609)
General and administrative expenses		(24,059)	(27,244)
Other expenses, net		(497)	(848)
Finance costs		(199)	(238)
Share of losses of an associate		<u>(368)</u>	<u>—</u>
PROFIT/(LOSS) BEFORE TAX	5	53,665	(4,200)
Income tax expense	6	<u>(12,639)</u>	<u>(4,302)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>41,026</u>	<u>(8,502)</u>
Attributable to:			
Owners of the parent		38,082	(8,496)
Non-controlling interests		<u>2,944</u>	<u>(6)</u>
		<u>41,026</u>	<u>(8,502)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted (RMB cents)		<u>5.11</u>	<u>(1.16)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
PROFIT/(LOSS) FOR THE PERIOD	41,026	(8,502)
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>(2,530)</u>	<u>3,257</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>38,496</u>	<u>(5,245)</u>
Attributable to:		
Owners of the parent	35,552	(5,239)
Non-controlling interests	<u>2,944</u>	<u>(6)</u>
	<u>38,496</u>	<u>(5,245)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		5,819	6,421
Right-of-use assets		6,839	8,246
Goodwill		10,233	10,233
Intangible assets		858	309
Investment in an associate		540	908
Investment at fair value through other comprehensive income		42,344	42,344
Investment at fair value through profit and loss		16,354	16,354
Deposits		701	701
Deferred tax assets		358	358
		84,046	85,874
Total non-current assets			
CURRENT ASSETS			
Trade receivables	9	225,637	308,859
Prepayments, deposits and other receivables		34,359	15,579
Pledged bank deposits		665	665
Cash and cash equivalents		313,172	300,269
		573,833	625,372
Total current assets			
CURRENT LIABILITIES			
Trade payables	10	246,733	289,595
Other payables and accruals		33,193	41,631
Lease liabilities		3,183	3,123
Dividend payable		32,324	—
Tax payable		9,915	13,382
		325,348	347,731
Total current liabilities			
NET CURRENT ASSETS		248,485	277,641
TOTAL ASSETS LESS CURRENT LIABILITIES		332,531	363,515
NON-CURRENT LIABILITIES			
Lease liabilities		4,852	6,475
Deferred tax liabilities		3,411	3,450
		8,263	9,925
Total non-current liabilities			
Net assets		324,268	353,590

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
EQUITY		
Equity attributable to owners of the parent		
Issued capital	659	659
Reserves	<u>303,384</u>	<u>335,650</u>
	304,043	336,309
Non-controlling interests	<u>20,225</u>	<u>17,281</u>
	324,268	353,590
Total equity	<u><u>324,268</u></u>	<u><u>353,590</u></u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

1. CORPORATE AND GROUP INFORMATION

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

The Company is an investment holding company. During the six months ended 30 June 2023, the Company's subsidiaries were involved in the following principal activities:

- provision of experiential marketing services;
- provision of digital and communication services; and
- IP development — management and operation of sports events

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (the "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 2022.

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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group has recognised a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases, the amendments did not have any impact to the Group.

- (d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has three reportable operating segments as follows:

- (a) Experiential marketing services segment
- (b) Digital and communication services segment
- (c) IP development segment

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/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 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 2023 (Unaudited)

	Experiential marketing services RMB'000	Digital and communication services RMB'000	IP development RMB'000	Total RMB'000
Segment revenue (note 4)				
Sales to external customers	280,193	61,618	8,451	<u>350,262</u>
Segment results	49,499	4,650	4,462	58,611
<u>Reconciliation:</u>				
Corporate and other unallocated expenses, net				(4,747)
Finance costs				<u>(199)</u>
Profit before tax				<u>53,665</u>
Other segment information				
Depreciation and amortisation	934	278	6	1,218
Impairment/(reversal of impairment) of trade receivables	(247)	81	(1)	(167)
Capital expenditure*	1,164	—	—	1,164
As at 30 June 2023 (Unaudited)				
Segment assets	496,933	39,554	36,559	573,046
<u>Reconciliation:</u>				
Corporate and other unallocated assets				<u>84,833</u>
Total assets				<u>657,879</u>
Segment liabilities	261,109	16,838	15,880	293,827
<u>Reconciliation:</u>				
Corporate and other unallocated liabilities				<u>39,784</u>
Total liabilities				<u>333,611</u>

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

Six months ended 30 June 2022 (Unaudited)

	Experiential marketing services RMB '000	Digital and communication services RMB '000	IP development RMB '000	Total RMB '000
Segment revenue (note 4)				
Sales to external customers	107,623	65,145	4	<u>172,772</u>
Segment results				
<u>Reconciliation:</u>				
Corporate and other unallocated expenses, net				(2,057)
Finance costs				<u>(238)</u>
Loss before tax				<u>(4,200)</u>
Other segment information				
Depreciation and amortisation	740	275	12	1,027
Impairment/(reversal of impairment) of trade receivables	(666)	1,474	(1)	807
Capital expenditure*	2,170	87	—	2,257
As at 31 December 2022 (Audited)				
Segment assets				
<u>Reconciliation:</u>				
Corporate and other unallocated assets				<u>84,937</u>
Total assets				<u>711,246</u>
Segment liabilities				
<u>Reconciliation:</u>				
Corporate and other unallocated liabilities				<u>37,132</u>
Total liabilities				<u>357,656</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	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Mainland China	313,159	166,061
Hong Kong/Singapore	37,103	6,711
	<u>350,262</u>	<u>172,772</u>

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

(b) Non-current assets

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
	Mainland China	18,086
Hong Kong/Singapore	16,419	16,354
	<u>34,505</u>	<u>34,926</u>

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets, investment at fair value through other comprehensive income and right-of-use assets.

Information about major customers

Revenue derived from sales to external customers by the experiential marketing services and digital and communication services segment contributing over 10% to the total revenue of the Group for the six months ended 30 June 2023 and 2022 is as follows:

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Customer A	71,838	47,303
Customer B	49,350	—*
Customer C	43,631	—*
Customer D	43,206	—*
Customer E	39,389	23,917
Customer F	—*	22,880
	<u>247,414</u>	<u>94,100</u>

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.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<u>Revenue from contracts with customers</u>		
Major service lines		
Experiential marketing services	280,193	107,623
Digital and communication services	61,618	65,145
IP development	8,451	4
	<u>350,262</u>	<u>172,772</u>
(i) Disaggregated revenue information		
Geographical locations		
<i>Experiential marketing services</i>		
Mainland China	243,939	101,318
Hong Kong/Singapore	36,254	6,305
	<u>280,193</u>	<u>107,623</u>
<i>Digital and communication services</i>		
Mainland China	60,769	64,739
Hong Kong/Singapore	849	406
	<u>61,618</u>	<u>65,145</u>
<i>IP development</i>		
Mainland China	8,451	4
	<u>8,451</u>	<u>4</u>
Total revenue from contracts with customers	<u>350,262</u>	<u>172,772</u>
Timing of revenue recognition		
At a point in time	338,261	109,421
Over time*	12,001	63,351
	<u>350,262</u>	<u>172,772</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:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Experiential marketing services	—	830
Digital and communication services	574	—
	<u>574</u>	<u>830</u>

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other income and gains		
Bank interest income	362	904
Government grants and subsidies*	8,957	5,825
Others	1,146	1,313
	<u>10,465</u>	<u>8,042</u>

- * The government subsidies mainly represented subsidies received by certain subsidiaries of the Group from PRC's local government authorities as incentives to support the Group's business development/contribution to local economies/contribution for developing the cultural industry in specific cities and subsidies granted under the Employment Support Scheme from the Government of the Hong Kong Special Administrative Region. There were no unfulfilled conditions or contingencies relating to these government 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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of services rendered	245,185	120,075
Depreciation of property, plant and equipment**	1,138	873
Depreciation of right-of-use assets**	1,407	1,346
Amortisation of intangible assets**	80	154
Impairment/(reversal of impairment) of trade receivables, net*	(167)	807
Foreign exchange differences, net	379	18
	<u>379</u>	<u>18</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% (2022: 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 profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

For the subsidiary incorporated in Singapore, Singapore profits tax has been provided at the rate of 17% (2022: 17%) on the estimated assessable profits arising in Singapore during the period, if any.

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current — Mainland China		
Charge for the period	12,678	4,293
Deferred	(39)	9
	<hr/>	<hr/>
Total tax charge for the period	12,639	4,302
	<hr/> <hr/>	<hr/> <hr/>

7. 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 2023 is based on the profit attributable to ordinary equity holders of the parent of RMB38,082,000 (six months ended 30 June 2022: loss attributable to ordinary equity holders of the parent of RMB8,496,000), and the weighted average number of the Company’s ordinary shares of 744,742,000 (six months ended 30 June 2022: 734,879,000) in issue, as adjusted to exclude the shares held under the share award scheme of the Company.

No adjustment has been made to the basic earnings/(loss) per share presented for the periods ended 30 June 2023 and 2022 as the Group had no potentially dilutive ordinary shares in issue during those periods.

8. DIVIDENDS

The dividend declared by the Company to its shareholders during the period are as follows:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interim — HK2 cents (2022: nil) per ordinary share	13,235	—

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:

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Billed		
Within 1 month	75,252	119,544
1 to 3 months	10,591	13,796
Over 3 months	2,847	14,249
	88,690	147,589
Unbilled	136,947	161,270
	225,637	308,859

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:

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 1 month	174,858	186,269
1 to 3 months	21,797	53,006
Over 3 months	50,078	50,320
	246,733	289,595

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

OTHER INFORMATION

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Monday, 28 August 2023 to Wednesday, 30 August 2023, both days inclusive, during which period no transfer of Shares will be registered. As such, in order to be qualified for the interim dividend, 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 Friday, 25 August 2023.

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

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during 2023 Interim.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE ("CG CODE")

The Company has adopted the CG Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). In the opinion of the Directors, the Company has fully complied with CG Code during the 2023 Interim except for the deviation from the Code Provision C.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 C.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 2023 Interim. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during 2023 Interim.

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 comprises 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 2023 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 with the management of the Company.

PUBLICATION OF 2023 INTERIM RESULTS AND INTERIM REPORT

This unaudited interim results announcement of the Group for 2023 Interim is published on the Stock Exchange’s website at www.hkexnews.hk and the Company’s website at www.activation-gp.com. The 2023 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 2023.

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, 10 August 2023

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.