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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 2022

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 2022 (“**2022 Interim**”) together with comparative figures for the six months ended 30 June 2021 (“**2021 Interim**”). These interim results have been reviewed by the Company’s audit committee.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the 2022 Interim (2021: interim dividend HK1.03 cents per ordinary share and interim special dividend HK6.93 cents per ordinary share).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a leading interactive data performance marketing group for pan-fashion (泛時尚) brands in Greater China. According to the research report of China Insights Consultancy Limited, the Group continue to be the largest experiential marketing service provider in Greater China which accounted for approximately 9.2% of the market share in 2021. The Group focuses on the provision of (i) experiential marketing; (ii) digital and communication; and (iii) intellectual property (“**IP**”) development for a range of world-renowned brand clients including renowned mid-range and high-end fashion brands, renowned mid-range and high-end automobile brands, and Chinese local premium brands.

As the Group's business is subject to seasonality, it usually records lower sales during the first half of the financial year, which is in line with the seasonality trend of general marketing services for premium and luxury brands in the People's Republic of China (the "PRC"). During the 2022 Interim, the business of the Group has been temporary affected by various factors which include: (i) lockdown and a range of social distancing measures implemented in various cities in the PRC; and (ii) temporary suspension of the clients' business causing cancellations or postponements in large scale events and exhibitions, resulting a decrease in revenue of the Group.

Experiential Marketing Business

Since 2020, the Group has been actively promoting data interactive marketing business, fashion shows and exhibitions which are not purely events with guests physically present the scene, but also creating contents that can be brought online for secondary marketing, drawing a massive amount of online exposure through data interactive services. 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. During 2020 to 2021, a number of offline marketing events conducted by the Group were being livestreamed which had attracted over millions of views online, and this model will continue for projects in second half of 2022.

Despite the impact of the pandemic, during the 2022 Interim, the Group has successfully completed approximately 50 small-medium sized projects and several large scale events in the PRC. Experiential marketing services were substantially affected by the pandemic outbreak in the PRC during March to May 2022, since these activities are required to take place in an offline basis, therefore, a number of premium and luxury brands events have been put on hold or postponed.

Due to the effective pandemic prevention and control in the PRC, the Group has been engaged by several luxury and premium brands to be the experiential marketing service provider in organising brand events in the second half of 2022.

Digital and Communication Business

Digital and communication business impact was relatively minimal as compared to experiential marketing business. With the previous experience gained from carrying out online events, in 2022 Interim, the Group has successfully completed various events such as 2021 Rémy Martin XO Online Social Campaign, NEIWAI 22SS Online Fashion Show and LAND ROVER "Above & Beyond" Online Launch.

The Group's digital and communication business has been growing due to huge demand from the brands over the past several years. Since the outbreak of the pandemic in 2020, many luxury and premium brands has started become aware of digitalisation as a global trend and accordingly, the budget for online marketing has substantially increased, creating a great opportunity for the digital marketing services industry. Since 2020, the Group has been providing data interactive services to clients, generating millions to billions of viewerships through online platforms to clients from experimental marketing services. Such online exposure also can enhance the sales revenue of clients.

In order to enhance the development of the digital and communication services business, on 10 January 2022, the Group has made a strategic investment in Weikuai Technology Group (also known as VeeR Group), a leading enterprise in metaverse and virtual content production in China, and has formed a joint venture with its subsidiary, Beijing Weikuai Technology Co., Ltd. (北京為快科技有限公司) (also known as VeeR), to create a new field of pan-fashion metaverse marketing, of which the Group holds 51% equity interest in the joint venture. Please refer to the voluntary announcement of the Company dated 10 January 2022 for further details.

IP Development Business

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 in the PRC. Due to the effect of the pandemic, offline activities and events for LaLiga Club and Le Tour de France brands were temporarily suspended or postponed during the 2022 Interim.

On 7 June 2022, the Group entered into a contract with Shanghai Design Week Investment Management Company Limited in regards to the exclusive operation right of Shanghai Design Week, which the Group will be responsible for the promotion and operation of the new "Shanghai Design Week" IP and provide "D UNIVERSE" virtual network platform to help upgrading the IP.

Outlook

At the beginning of 2022, the conflict between Russia and Ukraine continued to ferment which has led to an impact on the global supply chain, causing the global inflation rate to increase rapidly, as well as triggering the decline in global economy in the first half of 2022. Meanwhile, Beijing, Shanghai and Shenzhen have experienced economic downturn due to the pandemic outbreak in the first half of 2022. Looking forward to the second half of 2022, the Group will continue to seize market opportunities with the support and experience of the Group's management teams, aiming to achieve steady progress.

Due to the effective pandemic control in the PRC, the Group has successfully engaged over 100 new projects in the second half of 2022 with various operating indicators recovering and improving in an orderly manner.

According to the estimation stated in the Luxury 2022 Spring Update — “Rerouting the Future” released by Bain & Company on 21 June 2022, the growth of the global personal luxury market can reach EUR360 billion to EUR380 billion by 2025. It mentioned that the growth mainly brought by traditional luxury goods, digital assets and virtual worlds (metaverse, social media and digital games) will play an increasingly important role in the value proposition of luxury brands. The report also predicted that by the end of 2030, digital assets and metaverse will account for 5% to 10% of the luxury market. Luxury brands will have the opportunity to play a key role as creators and builders in the rising virtual world.

The Group believes that luxury brands will be conducting massive advertising and promotional activities in the Chinese market in the upcoming years. As a leading data interactive marketing group for pan-fashion brands in Greater China and with its offering of one-stop data interactive marketing services, the Group can bring extensive online exposure to pan-fashion brand customers, thus improving the influence of the brand in the PRC.

In the future, the Group will continue to maintain the development of core business and expand its layout to the fields of digitalisation and innovation to prepare for new opportunities in digital economy and will continuously accelerate the overall marketing layout of digitalisation, so as to ultimately realise its one-stop “offline + online + metaverse” comprehensive marketing service solutions for the Group’s clients and become the world’s leading pan-fashion data interactive marketing group.

Geographical Review

The Group’s business is conducted in the PRC, 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			
	2022		2021	
	<i>RMB’000</i>		<i>RMB’000</i>	
	(Unaudited)		(Unaudited)	
PRC	166,061	96.1%	370,008	96.1%
Hong Kong & Singapore	6,711	3.9%	15,180	3.9%
Total	<u>172,772</u>	<u>100.0%</u>	<u>385,188</u>	<u>100.0%</u>

Business Segment Review

During the 2022 Interim, revenue of the Group's experiential marketing services business, digital and communication services and IP development amounted to approximately RMB107.6 million (2021 Interim: RMB276.4 million), approximately RMB65.2 million (2021 Interim: RMB98.7 million) and approximately RMB0.0 million (2021 Interim: RMB10.1 million) respectively.

The following table sets out the revenue of the Group by service line for 2022 Interim and 2021 Interim:

	2022 Interim <i>RMB million</i>	2021 Interim <i>RMB million</i>
Experiential marketing services	107.6	276.4
Digital and communication services	65.2	98.7
IP development	0.0	10.1
	<hr/>	<hr/>
Total	172.8	385.2
	<hr/> <hr/>	<hr/> <hr/>

1. *Experiential Marketing Business*

The Group's experiential marketing business scope covers creative design, event planning, event management and event execution, rendering content services to the target consumers of the brands. The Group's clients would invite their most valuable customers to the event site for an in-depth experience on the products and culture of luxury goods.

During 2022 Interim, some large scale offline events were held by the Group, such as OPPO Find X5 Series Spring Launch Event, DIOR Xitang Villa, BOTTEGA VENETA 2022 Fall and Winter Show Screening, CHANEL Hangzhou Private Viewing 2022, LOUIS VUITTON 22 Winter Preview Guangzhou and VCA Art of Movement Exhibition.

The revenue generated from the experiential market business has decreased by 61.1% from approximately RMB276.4 million for 2021 Interim to approximately RMB107.6 million for 2022 Interim, which accounted for 62.3% of the Group's total revenue. The decrease in revenue was mainly due to the decrease in the number of large scale public events as public activities has become more difficult to obtain approval from the government of the PRC after the outbreak of the pandemic.

Considering the improvement of the pandemic prevention and control in the PRC, the Group has been successfully engaged by several luxury and premium brands to be the experiential marketing service provider in organizing the brand events such as Van Cleef & Arpels «Time, Nature, Love» Exhibition, Museum of Ice Cream in Qiantan TAIKOO in the second half of 2022.

2. *Digital and Communication Business*

The Group provides digital and communication integrated strategies and solutions (from strategic planning to campaign launch) to clients, including branding, creativity development, brand promotion, targeted marketing and advertising, ongoing platform management and client retaining services. Through the Group's marketing service team and multi-industry marketing expertise and advertising experience, the Group helps its clients achieve their marketing goals efficiently.

The pandemic has accelerated the digitalisation of business in the PRC where the brand owners have increased their budget in digital marketing, creating a great opportunity for the digital marketing services sector. During the 2022 Interim, the Group has successfully launched several online events such as 2021 Rémy Martin XO Online Social Campaign, NEIWAI 2022 Fall and Winter Online Fashion Show and LAND ROVER "Above & Beyond" Online Launch.

The revenue generated from digital and communication services decreased by 33.9% from approximately RMB98.7 million in the 2021 Interim to approximately RMB65.2 million in the 2022 Interim. The decrease in revenue was mainly due to the outbreak of the pandemic which resulted in the slowdown of business activities in various cities in the PRC.

3. *IP Development Business*

The revenue generated from IP development segment has decreased from approximately RMB10.1 million for 2021 Interim to approximately RMB4,000 for 2022 Interim. The decrease was mainly due to the fact that the events for LaLiga Club and Le Tour de France has been suspended as public activities has become more difficult to obtain approval from the government of the PRC after the outbreak of the pandemic.

Despite the impact of the pandemic, during the 2022 Interim, the Group has developed a new IP (Shanghai Design Week) and has actively been promoting the development of the brand. Leveraged on the strong brand building capability of the Group, it is expected that the Group will use different strategy to assist the government of Jing'an District of Shanghai to organise, market and promote Shanghai Design Week globally, and hold exhibitions for offline events to synchronise with Paris Design Week, London Design Week and Milan Design Week for global exposure, creating a Shanghai Design Week metaverse platform (D UNIVERSE 設計元宇宙) for digital exposure.

In July 2022, the Group has announced an in-depth co-creation cooperation agreement with Beijing Baidu Netcome Science and Technology Co., Ltd. ("**Baidu Netcome**"), a subsidiary under Baidu, Inc. D UNIVERSE will officially enter into Baidu Xirang Metaverse Platform (百度希壤元宇宙平台) with the aim of driving premium and luxury brands to experience and discover Web3.0 in the PRC.

FINANCIAL REVIEW

Cost of sales

The cost of sales of the Group decreased from RMB279.2 million for 2021 Interim to RMB120.1 million for 2022 Interim. Overall speaking, the decrease in cost of sales was mainly caused by the decrease in revenue. The fluctuations in cost of sales components were mainly dependent on the types and mix of projects carried out by the Group in the respective periods. The cost of sales components mainly includes production cost, 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 decreased by 50.3% from RMB106.0 million in 2021 Interim to RMB52.7 million for 2022 Interim. Its overall gross profit margin increased from 27.5% for 2021 Interim to 30.5% for 2022 Interim. Such increase in gross profit margin was due to the fact that the Group has improved on project cost control.

Other income and gains

The Group's other income and gains increased from RMB5.1 million for 2021 Interim to RMB8.0 million for 2022 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 increased from RMB32.5 million for 2021 Interim to RMB36.6 million for 2022 Interim. Such increase was primarily due to the increase in social security contribution base, resulting an increase in staff cost.

General and administrative expenses

The Group's general and administrative expenses increased from RMB18.5 million for 2021 Interim to RMB27.2 million for 2022 Interim. Such increase was primarily due to the increase in social security contribution base, resulting an increase in staff cost, and share award expenses of approximately of RMB7.0 million for the grant of shares to two executive Directors in June 2022 (the "**Share Award Expenses**").

Other expenses, net

The Group's other expenses recorded a net decrease from RMB2.4 million for 2021 Interim to RMB0.8 million for 2022 Interim. The decrease in other expenses was mainly due to the decrease in impairment of trade receivable.

Finance costs

The Group's finance costs decreased from RMB0.3 million for 2021 Interim to RMB0.2 million for 2022 Interim.

Net loss

As a result of the foregoing, the Group recorded a net loss of RMB8.5 million for 2022 Interim which includes RMB7.0 million of the Share Award Expenses. Therefore excluding the Share Award Expenses, the actual net loss was RMB1.5 million (2021 Interim: net profit of RMB38.5 million).

LIQUIDITY AND FINANCIAL RESOURCES

Cash and cash equivalents

As at 30 June 2022, the Group's cash and cash equivalents amounted to approximately RMB266.3 million (31 December 2021: RMB405.8 million).

Net proceeds from the IPO

The shares of the Company (the "**Shares**") were listed on the Main Board of the Stock Exchange on 16 January 2020. Pursuant to the allotment results announcement of the Group 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 Group 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 2021 <i>HK\$ million</i>	Utilised Net Proceeds for the period from 1 January 2022 to 30 June 2022 <i>HK\$ million</i>	Unutilised Net Proceeds as at 30 June 2022 <i>HK\$ million</i>
Develop and expand the existing business of integrated marketing solutions and IP development	192.8	1.0	1.0	—
Cash reserve for strategic investment funds for suitable cooperation or investment opportunities	118.0	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	—	—	—	—
Cash reserve for strategic investment in the pan-cultural sector	—	205.0	43.5	161.5
Total	345.0	211.2	44.5	166.7

During the 2022 Interim, the Group has utilised approximately HK\$44.5 million of the Net Proceeds. The Group is expected to utilise all the Unutilised Net Proceeds by the end of 2023.

Borrowing and charges on the Group's assets

As at 30 June 2022, the Group did not have any interest-bearing borrowing (31 December 2021: nil) or charge on its assets.

Gearing ratio

Since the Group did not have any bank borrowings, the gearing ratio as at 30 June 2022, calculated on the basis of bank and other borrowings over total equity, was nil (31 December 2021: nil).

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

Human Resources

As at 30 June 2022, the total number of employees of the Group was approximately 262 and the employee benefit expenses including directors' emoluments were approximately RMB52.4 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 decreased from RMB231.7 million as at 31 December 2021 to RMB186.9 million as at 30 June 2022; and the trade payables of the Group decreased from RMB221.8 million as at 31 December 2021 to RMB121.4 million as at 30 June 2022. Both decreases were mainly due to the decrease in revenue.

Contingent liabilities

The Group has no material contingent liabilities as at 30 June 2022.

Acquisition and disposal of subsidiary and associated companies

Save as disclosed in this announcement, the Group had no significant investments held or material acquisitions and disposals of subsidiaries and associated companies during 2022 Interim.

Capital Commitment

As at 30 June 2022, the Group had commitment of RMB5.1 million (as at 31 December 2021: RMB25.1 million) 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 2022

		For the six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
REVENUE	4	172,772	385,188
Cost of sales		<u>(120,075)</u>	<u>(279,203)</u>
Gross profit		52,697	105,985
Other income and gains	4	8,042	5,080
Selling and distribution expenses		(36,609)	(32,542)
General and administrative expenses		(27,244)	(18,488)
Other expenses, net		(848)	(2,436)
Finance costs		(238)	(302)
Share of losses of an associate and a joint venture		<u>—</u>	<u>(567)</u>
PROFIT/(LOSS) BEFORE TAX	5	(4,200)	56,730
Income tax expense	6	<u>(4,302)</u>	<u>(18,235)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>(8,502)</u>	<u>38,495</u>
Attributable to:			
Owners of the parent		(8,496)	35,499
Non-controlling interests		<u>(6)</u>	<u>2,996</u>
		<u>(8,502)</u>	<u>38,495</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted (RMB cents)		<u>(1.16)</u>	<u>4.80</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
PROFIT/(LOSS) FOR THE PERIOD	(8,502)	38,495
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>3,257</u>	<u>(2,146)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u><u>(5,245)</u></u>	<u><u>36,349</u></u>
Attributable to:		
Owners of the parent	(5,239)	33,353
Non-controlling interests	<u>(6)</u>	<u>2,996</u>
	<u><u>(5,245)</u></u>	<u><u>36,349</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		30 June 2022 (Unaudited) <i>RMB'000</i>	31 December 2021 (Audited) <i>RMB'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		6,657	5,299
Right-of-use assets		10,208	8,518
Goodwill		10,233	10,233
Intangible assets		301	426
Investment in a joint venture		510	—
Investment at fair value through other comprehensive income		39,396	19,998
Deposits		16,202	—
Deferred tax assets		1,085	1,085
Total non-current assets		84,592	45,559
CURRENT ASSETS			
Trade receivables	9	186,917	231,692
Prepayments, deposits and other receivables		37,808	32,511
Pledged bank deposits		665	665
Cash and cash equivalents		266,321	405,817
Total current assets		491,711	670,685
CURRENT LIABILITIES			
Trade payables	10	121,448	221,755
Other payables and accruals		23,571	34,377
Lease liabilities		2,772	1,465
Dividend payable		6,518	—
Tax payable		4,143	21,757
Total current liabilities		158,452	279,354
NET CURRENT ASSETS		333,259	391,331
TOTAL ASSETS LESS CURRENT LIABILITIES		417,851	436,890
NON-CURRENT LIABILITIES			
Lease liabilities		8,287	7,273
Deferred tax liabilities		212	203
Total non-current liabilities		8,499	7,476
Net assets		409,352	429,414

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
EQUITY		
Equity attributable to owners of the parent		
Issued capital	660	667
Reserves	385,599	405,648
	386,259	406,315
Non-controlling interests	23,093	23,099
Total equity	409,352	429,414

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2022 (the "Relevant Period"), 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 unaudited condensed consolidated financial information for the six months ended 30 June 2022 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 2021.

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 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3
Amendments to HKAS 16

Amendments to HKAS 37
Annual Improvements to HKFRSs
2018-2020

Reference to the Conceptual Framework

Property, Plant and Equipment: Proceeds before Intended Use

Onerous Contracts — Cost of Fulfilling a Contract

Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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 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 of trade receivables	(666)	1,474	(1)	807
Capital expenditure*	2,170	87	—	2,257
As at 30 June 2022 (Unaudited)				
Segment assets	337,382	110,351	27,553	475,286
<u>Reconciliation:</u>				
Corporate and other unallocated assets				<u>101,017</u>
Total assets				<u>576,303</u>
Segment liabilities	119,583	17,486	3,921	140,990
<u>Reconciliation:</u>				
Corporate and other unallocated liabilities				<u>25,961</u>
Total liabilities				<u>166,951</u>

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

Six months ended 30 June 2021 (Unaudited)

	Experiential marketing services <i>RMB'000</i>	Digital and communication services <i>RMB'000</i>	IP development <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue				
Sales to external customers	276,408	98,692	10,088	<u>385,188</u>
Segment results				
<u>Reconciliation:</u>				
Corporate and other unallocated expenses, net				(2,112)
Finance costs				<u>(302)</u>
Profit before tax				<u>56,730</u>
Other segment information				
Depreciation and amortisation	204	254	14	472
Impairment of trade receivables	1,027	946	134	2,107
Capital expenditure*	449	—	—	449
As at 31 December 2021 (Audited)				
Segment assets				
	429,321	140,351	30,779	600,451
<u>Reconciliation:</u>				
Corporate and other unallocated assets				<u>115,793</u>
Total assets				<u>716,244</u>
Segment liabilities				
	211,704	29,953	5,313	246,970
<u>Reconciliation:</u>				
Corporate and other unallocated liabilities				<u>39,860</u>
Total liabilities				<u>286,830</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	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Mainland China	166,061	370,008
Hong Kong/Singapore	6,711	15,180
	<u>172,772</u>	<u>385,188</u>

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

(b) Non-current assets

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
	Mainland China	<u>17,701</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, deposits and right-of-use assets.

Information about major customers

Revenues from transactions with each customer or group of entities known to be under common control amounting to 10% or more of the Group's total revenue, which are reported in the experiential marketing services and digital and communication services segments ended 30 June 2022 and 2021 is as follows:

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Customer A	47,303	92,093
Customer B	—*	54,422
Customer C	23,917	—*
Customer D	<u>22,880</u>	<u>—#</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

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended	
	30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<u>Revenue from contracts with customers</u>		
Major service lines		
Experiential marketing services	107,623	276,408
Digital and communication services	65,145	98,692
IP development	4	10,088
	<u>172,772</u>	<u>385,188</u>
(i) Disaggregated revenue information		
Geographical locations		
<i>Experiential marketing services</i>		
Mainland China	101,318	261,541
Hong Kong/Singapore	6,305	14,867
	<u>107,623</u>	<u>276,408</u>
<i>Digital and communication services</i>		
Mainland China	64,739	98,379
Hong Kong/Singapore	406	313
	<u>65,145</u>	<u>98,692</u>
<i>IP development</i>		
Mainland China	4	10,088
Total revenue from contracts with customers	<u>172,772</u>	<u>385,188</u>
Timing of revenue recognition		
At a point in time	109,421	287,431
Over time*	63,351	97,757
Total revenue from contracts with customers	<u>172,772</u>	<u>385,188</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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Experiential marketing services	830	8,770
Digital and communication services	—	21
IP development	—	370
	<u>830</u>	<u>9,161</u>

An analysis of other income and gains is as follows:

	For the six months ended	
	30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<u>Other income and gains</u>		
Bank interest income	904	349
Government grants and subsidies*	5,825	3,934
Others	1,313	797
	8,042	5,080

- * 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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of services rendered	120,075	279,203
Depreciation of property, plant and equipment**	873	412
Depreciation of right-of-use assets**	1,346	2,460
Amortisation of intangible assets**	154	60
Gain on disposal of property, plant and equipment	—	(1)
Impairment of trade receivables, net*	807	2,107
Foreign exchange differences, net	18	(360)

- * 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% (2021: 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% (2021: 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% (2021: 17%) on the estimated assessable profits arising in Singapore during the period, if any.

	For the six months ended	
	30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current — PRC		
Charge for the period	4,293	18,589
Deferred	9	(354)
	<hr/>	<hr/>
Total tax charge for the period	4,302	18,235
	<hr/> <hr/>	<hr/> <hr/>

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 2022 is based on the loss attributable to ordinary equity holders of the parent of RMB8,496,000 (six months ended 30 June 2021: profits attributable to ordinary equity holders of the parent of RMB35,499,000), and the weighted average number of the Company’s ordinary shares of 734,879,000 (six months ended 30 June 2021: 740,127,000) 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 2022 and 2021 as the Group had no potentially diluted 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	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Interim — Nil (six months ended 30 June 2021: HK1.03 cents) per ordinary share	—	6,455
Special — Nil (six months ended 30 June 2021: HK6.93 cents) per ordinary share	—	43,434
	<u>—</u>	<u>49,889</u>

The Board does not recommend the payment of an interim dividend for the 2022 Interim.

Declaration of the interim dividend of HK1.03 cents per ordinary share in respect of the six months ended 30 June 2021 was approved by the Board on 3 August 2021. The interim special dividend of HK6.93 cents per ordinary share in respect of the six months ended 30 June 2021 was approved by the Board on 3 August 2021.

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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Billed		
Within 1 month	36,269	69,250
1 to 3 months	22,965	50,889
Over 3 months	39,796	34,232
	<u>99,030</u>	<u>154,371</u>
Unbilled	87,887	77,321
	<u>186,917</u>	<u>231,692</u>

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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 1 month	51,117	179,031
1 to 3 months	19,895	22,793
Over 3 months	50,436	19,931
	<u>121,448</u>	<u>221,755</u>

OTHER INFORMATION

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

During 2022 Interim, the Company exercised its powers under the general mandate to repurchase Shares granted by the shareholders of the Company (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 7,910,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$10,209,000. 7,750,000 repurchased Shares were cancelled during 2022 Interim. As at 30 June 2022, a total of 160,000 Shares which were repurchased at a cost of approximately HK\$179,600 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 2022 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 the 2022 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 2022 Interim.

SUBSEQUENT EVENTS AFTER 2022 INTERIM

The Company entered into a strategic cooperation with Baidu Netcome, a subsidiary under Baidu, Inc., on 25 July 2022. D UNIVERSE, which is designed and developed by both parties, will officially enter the Baidu Xirang Metaverse Platform (百度希壤元宇宙平台). In this regard, the Company will form a strong alliance with Baidu Netcome in the field of metaverse where the future virtual world and real world become intertwined, thereby creating a new world with the power of digital design. Please refer to the announcement of the Company dated 25 July 2022 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 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 2022 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 2022 INTERIM RESULTS AND INTERIM REPORT

This unaudited interim results announcement of the Group for 2022 Interim is published on the Stock Exchange’s website at www.hkexnews.hk and the Company’s website at www.activation-gp.com. The 2022 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 2022.

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, 12 August 2022

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.