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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 2024

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 2024 (“**2024 Interim**”) together with comparative figures for the six months ended 30 June 2023 (“**2023 Interim**”) and certain comparative figures as at 31 December 2023. These interim results have been reviewed by the Company’s audit committee.

INTERIM DIVIDEND

The Board declares the payment of an interim dividend of HK2.0 cents per ordinary share of the Company (the “**Share(s)**”) for 2024 Interim (2023 Interim: 2.0 cents), which amounted to nearly HK\$14,895,000.

The record date for the interim dividend will be Friday, 6 September 2024. The above dividend is expected to be distributed to the shareholders of the Company (the “**Shareholders**”) on or about Tuesday, 17 September 2024.

OVERVIEW

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 12.7% in 2023.

In the first half of 2024, increased global economic uncertainty and subdued consumer spending characterized the broader market environment. These challenges affected the luxury consumer goods sector, which experienced a deceleration in growth. As a result, the Group, with a significant portion of its clients in the luxury sector and some of which had reported slower growth, was also impacted. During 2024 Interim, the revenue of the Group was approximately RMB316.3 million (2023 Interim: RMB350.3 million). Net profit was approximately RMB30.2 million (2023 Interim: RMB41.0 million). Notably, the Group’s gross profit margin increased by 2.7 percentage points from 30.0% to 32.7% year-on-year.

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 first half of 2024, the Group continued to experience this seasonal trend. Despite rapid changes in the market and consumer behavior, the Group successfully mitigated the adverse effects of the macro environment through strategic optimization, fully demonstrating the flexibility and adaptability of its business model.

The Group remains cautiously optimistic about the future, as it continues to refine its strategies and capitalize on new opportunities. With a strong foundation and proactive approach, the Group is well-positioned to navigate the challenges ahead and achieve stable development in the second half of the year.

MARKET OPPORTUNITIES

According to Bain & Company’s “2023 China Luxury Market Report” (the “**Bain Report**”), the Chinese market continues to solidify its position as the preferred destination for global luxury consumption and holds strategic importance for luxury brands worldwide. The Bain Report indicates that by 2030, China is expected to become the leading luxury market globally, with Chinese consumers potentially capturing a global market share of 35-40%, and the Chinese market’s share itself increasing to 24-26%. Complementing these findings, market research from Euromonitor has also revealed that for at least the next four years, China’s luxury spending is set to outpace that of the United States of America and Western Europe, further underscoring the pivotal role of the Chinese market in the luxury sector. Additionally, the aforesaid market research indicated that, in the luxury goods industry, the top 2% of the “Very Important Customers” (“VIC”) contributes approximately 40% of sales for luxury brands.

The Bain & Company Luxury Goods Worldwide Market Study (Spring 2024) highlights a narrative of resurgence and resilience. Luxury brands must rethink the way they build their value proposition to prioritize trust and connection with consumers. Many are navigating a momentary crisis driven by macroeconomic pressure and a polarized customer base. This presents a unique moment to define a new way forward for their brands, fostering a more personal connection with their customers. The strategy of “purpose and love” will be the north star for brands that thrive in this increasingly competitive market landscape.

This trend indicates that, as the Chinese consumer market expands, China is set to emerge as one of the world’s predominant luxury goods markets. Major luxury brands globally are intensifying their efforts to capture the attention of Chinese consumers. After years of development, the luxury goods market in mainland China has witnessed significant changes in consumer recognition of brand value and pursuit of high-quality living, which have become key drivers propelling the market towards positive growth. Therefore, for luxury brands, continuous innovation and effective marketing strategies will play a decisive role in the brand’s long-term development. This approach not only helps strengthen the connection between the brand and consumers but also establishes and deepens consumer loyalty to the brand.

OUTLOOK

In light of these developments, the Group anticipates that luxury brands will continue to actively engage in large-scale marketing and promotional activities in the Chinese market in the coming years. Given the increasing importance of the Chinese market in the global luxury goods industry, the Group has successfully secured multiple marketing service projects from both international and local clients in mainland China and Hong Kong, and has been implementing these projects gradually. Jean-Jacques Guiony, CFO of LVMH Group, in LVMH’s interim financial report for the six months ended 30 June 2024 emphasized, “the Chinese market demands high levels of marketing activity, and the group will certainly allocate a significant marketing budget there. Brands that have underinvested in marketing in China in recent quarters have been more penalized, as customer response to marketing stimuli remains quite significant in China.”

The Group's luxury marketing services primarily target the VIC of our clients, with the impact extending beyond the Chinese market to Chinese consumers worldwide. The Group has developed proactive strategies reflecting the growth trends of the Chinese luxury goods market and evolving consumer demands. These strategies are crafted to enhance relationships with current clients while simultaneously seeking to captivate new clientele. The Group is determined to broaden its impact in the Chinese market by employing creative marketing tactics and offering exceptional service experiences. As the Chinese luxury goods market continues to grow, the Group is ready to further solidify and advance our predominant status in the industry, aiming for sustained and stable growth.

In addition to its focus on international luxury brands, the Group also has teams dedicated to expand, including local Chinese brands, beauty products, wine and spirits and more, empowering them with luxury marketing techniques. The Group is also exploring additional business opportunities in Southeast Asia, aiming to expand its influence and expertise in this growing market.

The Group's client base is highly diversified. As of 31 December 2023, the Group has accumulated over 550 clients. This strategic client diversification means that even if certain clients may experience performance adjustments, the Group can still address the needs of other clients, mitigate risks and ensure stability in operations.

Looking ahead to the future, the Group is brimming with confidence in its ability to achieve and exceed its developmental goals. The strategies put in place are designed to capitalize on the growth of the Chinese luxury goods market and evolving consumer demands. The Group is committed to continuous innovation and effective marketing strategies, which will be crucial in maintaining and strengthening its connection with consumers and fostering long-term brand loyalty. The Group is poised for sustained and stable growth, ready to further solidify and advance its predominant status in the industry.

BUSINESS REVIEW

Geographical Review

The Group's business is conducted in Chinese Mainland, 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			
	2024		2023	
	<i>RMB'000</i>		<i>RMB'000</i>	
	(Unaudited)		(Unaudited)	
Chinese Mainland	288,530	91.2%	313,159	89.4%
Hong Kong & Singapore	27,831	8.8%	37,103	10.6%
Total	316,361	100.0%	350,262	100.0%

Business Segments Review

During 2024 Interim, the revenue of the Group's experiential marketing services segment, digital and communication services segment and IP development segment were RMB257.5 million (2023 Interim: RMB280.2 million), RMB48.9 million (2023 Interim: RMB61.6 million) and RMB9.9 million (2023 Interim: RMB8.5 million) respectively.

The following table sets out the revenue of the Group by service line for 2024 Interim and 2023 Interim:

	For the six months ended 30 June	
	2024 <i>RMB million</i> (Unaudited)	2023 <i>RMB million</i> (Unaudited)
Experiential marketing	257.5	280.2
Digital and communication	48.9	61.6
IP development	9.9	8.5
Total	316.3	350.3

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 premium fashion brands in Greater China with a market share of 12.7% in 2023.

The Group's experiential marketing business scope covers creative design, content production, event planning, event management, and execution, all tailored to the brand's target consumers, particularly focusing on VIC of our clients. These services are aimed at boosting brand awareness and increasing consumer engagement for the Group's clients. Since 2020, the Group has actively promoted data interactive marketing business. The combination of physical events with data interactive services not only created engaging content but also provided massive online exposure and secondary marketing to expand coverage and enhance marketing effectiveness. Several offline marketing events conducted by the Group were livestreamed, drawing millions to hundreds of millions of views online.

Furthermore, the marketing strategies used for luxury brands can be effectively adopted for high-end Chinese brands, helping them to build a more international brand value. For instance, in the first half of the year, the Group assisted one of its clients in hosting a fashion show that incorporated Chinese elements. This event was attended by 400-500 VICs, who experienced the impactful presence of the show. The fashion show also generated over 500 million online views demonstrated a significant return on investment to the client. This model is also applied to other brands marketing services, allowing us to deliver similar success across different brands.

During 2024 Interim, the Group held a number of notable events, including ARCTERYX ‘Arcteryx Museum Grand Opening’, A BATHING APE BAPE ‘FW24 Runway Show’, BOTTEGA VENETA ‘Beijing Sanlitun Store Opening and Party’, CHANEL ‘24A Beijing Exclusive Preview Event’, DIOR ‘2024 Dior XM Villa’, DIOR ‘Dior Men Fall 2024 Show’, LORO PIANA ‘Into the Wild Pop up and Gala Dinner in Jiuzhaigou’, LOUIS VUITTON ‘Four Season Pop Up 2024’, MERCEDES-BENZ ‘2024 Mercedes-AMG F1 Experience & Brand Campaign’, MIU MIU ‘Womenstale Beijing’, PRADA ‘Pradasphere Shanghai Exhibition’, SAINT LAURENT ‘Shanghai VIC Dinner’, SJM RESORTS, S.A. ‘Palazzo Versace Marco Opening’, ROLLS-ROYCE ‘2024 RRMC Cullinan SII Preview and Bespoke Experience Event’ and more. The success of these events has once again proved the Group’s leading position and expertise in the experiential marketing sector.

During 2024 Interim, the Group’s experiential marketing business recorded a revenue of approximately RMB257.5 million, representing a decrease of 8.1% compared to approximately RMB280.2 million in 2023 Interim. This decline reflects changes in the Chinese luxury market, where clients are generally cautious and conservative in their marketing strategies. It is also important to note that the first half of the year is typically a low season for the industry, while the second half is considered the peak season.

The revenue generated from experiential marketing business segment accounted for 81.4% of the Group’s total revenue in 2024 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 Greater China.

Digital and Communication

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.

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.

The Group has been offering data interactive services, generating millions to billions of viewerships through online platforms. Such online promotion has effectively increased the sales revenue of customers. The Group actively seizes cooperation opportunities and promotes the livestream e-commerce business of its joint ventures, particularly through celebrity live e-commerce events. Additionally, 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.

According to the 22nd edition of the luxury market study report "Long Live Luxury: Converge to Expand through Turbulence" jointly released by Bain & Company and Fondazione Altagamma, the Italian luxury goods manufacturers' industry association, the younger generations (Generations Y, Z, and Alpha) are set to become the largest luxury consumer group, accounting for nearly 85% of global consumption. This demographic is highly active on social media, and we observe this trend as an opportunity to continue breaking new ground in the digital marketing sector.

During 2024 Interim, the Group has provided online marketing services for numerous brands, including ANTA, BARBOUR, BOBBI BROWN, HAMILTON, LA PRAIRIE, MAXMARA, MICHAEL KORS, NEW BALANCE, NIKE, OLAY, PERFECT DIARY, REMY MARTIN, SEPHORA, SILHOUETTE, SK-II, TORY BURCH, VENCHI, and more.

In 2024 Interim, the revenue of the digital and communication business was approximately RMB48.9 million, representing a decrease of 20.6% as compared to approximately RMB61.6 million in 2023 Interim, which accounted for 15.5% of the Group's total revenue for 2024 Interim. The decline in digital marketing revenue can be attributed to (i) clients may have adjusted their marketing strategies, resulting in reduced spending on digital marketing; and (ii) changes in the macroeconomic environment may have led clients to adjust their digital marketing budgets in the short term.

Despite the revenue declined, the gross profit margin increased from 31.2% in 2023 Interim to 39.2% in 2024 Interim.

Looking ahead, the Group is optimistic about the potential for growth in its digital and communication segment. The Group aims to enhance its digital capabilities and deliver even greater value to its clients. The strategies put in place are designed to capitalize on the increasing importance of digital marketing in the overall marketing mix, ensuring that the Group remains at the forefront of this rapidly evolving industry.

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. These IPs not only provide more business opportunities, but more importantly, they can also further enhance the brand recognition and market influence of the Group.

During the first half of 2024, the Group had partnership with ‘FIRST in Shanghai’, becoming one of the first global promotional partners for this initiative. In order to better serve the high-quality development of the first-launch economy, together, the Group will further build a global new product launch site that leads fashion and defines trends, and accelerate the construction of Shanghai as an international consumer center city. The “Several Measures on Further Promoting the High-Quality Development of the First-launch Economy” mentioned the importance of ‘FIRST in Shanghai’.

‘FIRST in Shanghai’ will host a launch season event from March to May each year, encouraging more high-quality and high-traffic domestic and foreign brands to hold their first launches, first shows, first exhibitions, and first stores in Shanghai. As a leading company in Greater China that hosts high-end fashion brand fashion shows and large-scale exhibitions, the Group expects to bring more business through this IP.

In 2024 Interim, the revenue for the IP development business was approximately RMB9.9 million (2023 Interim: RMB8.5 million), which accounted for 3.1% of the Group’s total revenue in 2024 Interim.

FINANCIAL REVIEW

Cost of sales

The cost of sales of the Group decreased from RMB245.2 million for 2023 Interim to RMB213.0 million for 2024 Interim, which was in line with the decrease 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 decreased by 1.6% from RMB105.1 million for 2023 Interim to RMB103.4 million for 2024 Interim. Its overall gross profit margin increased from 30.0% in 2023 Interim to 32.7% in 2024 Interim.

Other income and gains

The Group's other income and gains decreased from RMB10.5 million for 2023 Interim to RMB5.3 million for 2024 Interim. The decrease in other income and gains was mainly due to the decrease in government grants and subsidies.

Selling and distribution expenses

The Group's selling and distribution expenses remained stable at RMB37.1 million for 2024 Interim (2023 Interim: RMB36.8 million).

General and administrative expenses

The Group's general and administrative expenses increased from RMB24.1 million for 2023 Interim to RMB29.4 million for 2024 Interim. Such increase was primarily due to the increase in share award expenses from RMB3.3 million for 2023 Interim to RMB9.6 million for 2024 Interim.

Other expenses, net

The Group's other expenses recorded an increase from RMB0.5 million for 2023 Interim to approximately RMB1.2 million for 2024 Interim. The increase in other expenses was mainly due to the increase in impairment of trade receivable.

Finance costs

The Group's finance costs remained at approximately RMB0.2 million for 2024 Interim (2023 Interim: RMB0.2 million).

Net profit and net profit margin

As a result of the foregoing, the Group recorded a net profit of RMB30.2 million for 2024 Interim (2023 Interim: RMB41.0 million). Overall net profit margin was 9.5% for 2024 Interim (2023 Interim: 11.7%).

LIQUIDITY AND FINANCIAL RESOURCES

Cash and cash equivalents

As at 30 June 2024, the Group's cash and cash equivalents amounted to RMB288.6 million (as at 31 December 2023: RMB307.1 million), which were mainly denominated in Renminbi and Hong Kong dollars.

Net proceeds from the Global Offering

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 Company 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 2024 <i>HK\$ million</i>	Net Proceeds utilised during 2024 Interim <i>HK\$ million</i>	Unutilised Net Proceeds as at 30 June 2024 <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 2024 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 by the end of the year ending 31 December 2025.

Borrowing and charges on the Group's assets

As at 30 June 2024, the Group did not have any interest-bearing borrowing (as at 31 December 2023: nil) or charge on its assets.

Gearing ratio

Since the Group did not have any bank borrowings, the gearing ratio as at 30 June 2024, calculated on the basis of bank and other borrowings over total equity, was nil (as at 31 December 2023: 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 2024, the total number of employees of the Group was approximately 233 (as at 30 June 2023: 241). For 2024 Interim, the employee benefit expenses of the Group (including Directors' emoluments) were approximately RMB54.1 million (2023 Interim: RMB46.4 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 RMB397.6 million as at 31 December 2023 to approximately RMB204.7 million as at 30 June 2024; and the trade payables of the Group decreased from approximately RMB339.4 million as at 31 December 2023 to approximately RMB200.8 million as at 30 June 2024.

Contingent liabilities

The Group has no material contingent liabilities as at 30 June 2024.

Acquisition and disposal of subsidiaries and associated companies

The Group had no material acquisitions and disposals of subsidiaries and associated companies during 2024 Interim.

Capital commitment

As at 30 June 2024, the Group had commitment of approximately RMB8.1 million (as at 31 December 2023: RMB8.1 million) relating to the future capital contributions.

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 2024.

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 2024 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 2024

		For the six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
REVENUE	4	316,361	350,262
Cost of sales		<u>(212,970)</u>	<u>(245,185)</u>
Gross profit		103,391	105,077
Other income and gains	4	5,327	10,465
Selling and distribution expenses		(37,089)	(36,754)
General and administrative expenses		(29,351)	(24,059)
Other expenses, net		(1,218)	(497)
Finance costs		(151)	(199)
Share of profits of an associate		<u>1,178</u>	<u>(368)</u>
PROFIT BEFORE TAX	5	42,087	53,665
Income tax expense	6	<u>(11,934)</u>	<u>(12,639)</u>
PROFIT FOR THE PERIOD		<u>30,153</u>	<u>41,026</u>
Attributable to:			
Owners of the parent		26,858	38,082
Non-controlling interests		<u>3,295</u>	<u>2,944</u>
		<u>30,153</u>	<u>41,026</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic (RMB cents)		3.70	5.11
Diluted (RMB cents)		<u>3.61</u>	<u>5.11</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	30,153	41,026
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(7,457)</u>	<u>(2,530)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>22,696</u>	<u>38,496</u>
Attributable to:		
Owners of the parent	19,401	35,552
Non-controlling interests	<u>3,295</u>	<u>2,944</u>
	<u>22,696</u>	<u>38,496</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Notes			
NON-CURRENT ASSETS			
Property, plant and equipment		4,736	4,856
Right-of-use assets		8,033	5,567
Goodwill		10,233	10,233
Intangible assets		827	861
Investment in an associate		6,285	5,107
Investment at fair value through other comprehensive income		31,770	31,770
Investment at fair value through profit and loss		13,101	13,101
Deposits		701	701
Deferred tax assets		554	554
		76,240	72,750
CURRENT ASSETS			
Trade receivables	9	204,716	397,637
Prepayments, deposits and other receivables		26,203	17,270
Pledged bank deposits		665	665
Cash and cash equivalents		288,625	307,079
		520,209	722,651
CURRENT LIABILITIES			
Trade payables	10	200,795	339,405
Other payables and accruals		54,408	62,220
Lease liabilities		2,232	3,292
Dividend payable		395	—
Tax payable		7,010	23,855
		264,840	428,722
NET CURRENT ASSETS		255,369	293,879
TOTAL ASSETS LESS CURRENT LIABILITIES		331,609	366,629
NON-CURRENT LIABILITIES			
Lease liabilities		6,595	3,289
Deferred tax liabilities		2,719	3,365
		9,314	6,654
Net assets		322,295	359,975

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
EQUITY		
Equity attributable to owners of the parent		
Issued capital	659	659
Reserves	303,945	339,110
	304,604	339,769
Non-controlling interests	17,691	20,206
Total equity	322,295	359,975

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

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 2024, 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 2024 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 2023.

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 2023, 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 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the "2020 Amendments")
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

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 other income and 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, investment at fair through other comprehensive income, investment at fair value through profit or loss 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 2024 (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	257,517	48,936	9,908	<u>316,361</u>
Segment results	45,595	4,545	3,879	54,019
<u>Reconciliation:</u>				
Corporate and other unallocated expenses, net				(12,791)
Interest income				1,010
Finance costs				<u>(151)</u>
Profit before tax				<u>42,087</u>
Other segment information				
Share of profits of an associate	—	—	(1,178)	(1,178)
Depreciation and amortisation	988	296	—	1,284
Impairment/(reversal of impairment) of trade receivables	(328)	1,455	1	1,128
Capital expenditure*	1,099	—	—	1,099
As at 30 June 2024 (Unaudited)				
Segment assets	434,043	70,226	30,951	535,220
<u>Reconciliation:</u>				
Corporate and other unallocated assets				<u>61,229</u>
Total assets				<u>596,449</u>
Segment liabilities	210,559	32,331	8,979	251,869
<u>Reconciliation:</u>				
Corporate and other unallocated liabilities				<u>22,285</u>
Total liabilities				<u>274,154</u>

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

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 31 December 2023 (Audited)				
Segment assets	633,335	76,098	27,308	736,741
<u>Reconciliation:</u>				
Corporate and other unallocated assets				<u>58,660</u>
Total assets				<u>795,401</u>
Segment liabilities	347,603	33,513	9,525	390,641
<u>Reconciliation:</u>				
Corporate and other unallocated liabilities				<u>44,785</u>
Total liabilities				<u>435,426</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	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Chinese Mainland	288,530	313,159
Hong Kong/Singapore	27,831	37,103
	<u>316,361</u>	<u>350,262</u>

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

(b) Non-current assets

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
	Chinese Mainland	22,701
Hong Kong/Singapore	81	94
	<u>22,782</u>	<u>21,758</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 profit or loss, investments at fair value through other comprehensive income 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, are as follows:

	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Customer A	68,303	71,838
Customer B	39,209	—*
Customer C	34,744	49,350
Customer D	—*	43,631
Customer E	—*	43,206
Customer F	—*	39,389
	<u> </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.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Revenue from contracts with customers		
Major service lines		
Experiential marketing services	257,517	280,193
Digital and communication services	48,936	61,618
IP development	9,908	8,451
	<u>316,361</u>	<u>350,262</u>
(i) Disaggregated revenue information		
Geographical locations		
<i>Experiential marketing services</i>		
Chinese Mainland	230,729	243,939
Hong Kong/Singapore	26,788	36,254
	<u>257,517</u>	<u>280,193</u>
<i>Digital and communication services</i>		
Chinese Mainland	47,893	60,769
Hong Kong/Singapore	1,043	849
	<u>48,936</u>	<u>61,618</u>
<i>IP development</i>		
Chinese Mainland	9,908	8,451
	<u>9,908</u>	<u>8,451</u>
Total revenue from contracts with customers	<u>316,361</u>	<u>350,262</u>
Timing of revenue recognition		
At a point in time	311,213	338,261
Over time*	5,148	12,001
	<u>316,361</u>	<u>350,262</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	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Experiential marketing services	1,429	—
Digital and communication services	1,285	574
	<u>2,714</u>	<u>574</u>

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other income and gains		
Bank interest income	1,010	362
Government grants and subsidies*	4,107	8,957
Others	210	1,146
	<u>5,327</u>	<u>10,465</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 (2023: 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 BEFORE TAX

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

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of services rendered	212,970	245,185
Depreciation of property, plant and equipment**	1,149	1,138
Depreciation of right-of-use assets**	1,362	1,407
Amortisation of intangible assets**	135	80
Impairment/(reversal of impairment) of trade receivables, net*	1,128	(167)
Foreign exchange differences, net	2	379
	<u>2</u>	<u>379</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 Chinese Mainland have been calculated at the applicable PRC corporate income tax (“CIT”) rate of 25% (2023: 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% (2023: 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% (2023: 17%) on the estimated assessable profits arising in Singapore during the period, if any.

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Current — PRC		
Charge for the period	11,288	12,678
Deferred	646	(39)
	<u>11,934</u>	<u>12,639</u>
Total tax charge for the period	<u>11,934</u>	<u>12,639</u>

7. EARNINGS 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 2024 is based on the profit attributable to ordinary equity holders of the parent of RMB26,858,000 (six months ended 30 June 2023: profit attributable to ordinary equity holders of the parent of RMB38,082,000), and the weighted average number of the Company’s ordinary shares of 725,104,265 (six months ended 30 June 2023: 744,742,000) in issue, as adjusted to exclude the shares held under the share award scheme of the Company.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed vesting of all dilutive share awards of the Company awarded under the share award scheme of the Company.

Earnings

The calculations of basic and diluted earnings per share are based on profit for the year attributable to ordinary equity holders of the parent.

Shares

	Number of shares	
	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	725,104,265	744,742,000
Effect of dilution – weighted average number of ordinary shares:		
Share awards	<u>18,718,272</u>	<u>—</u>
Number of shares used in the diluted earnings per share calculation	<u><u>743,822,537</u></u>	<u><u>744,742,000</u></u>

8. DIVIDENDS

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

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Interim — HK2.0 cents (2023: HK2.0 cents) per ordinary share	<u><u>13,868</u></u>	<u><u>13,235</u></u>

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 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
	Billed	
Within 1 month	90,920	287,435
1 to 3 months	11,185	6,498
Over 3 months	<u>7,210</u>	<u>14,381</u>
	109,315	308,314
Unbilled	<u>95,401</u>	<u>89,323</u>
	<u><u>204,716</u></u>	<u><u>397,637</u></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 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 1 month	119,255	276,961
1 to 3 months	7,732	16,563
Over 3 months	<u>73,808</u>	<u>45,881</u>
	<u>200,795</u>	<u>339,405</u>

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 Tuesday, 3 September 2024 to Friday, 6 September 2024, 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 Monday, 2 September 2024.

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 2024 Interim.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE ("CG CODE")

The Company has adopted the CG Code as set out in Part 2 of Appendix C1 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 2024 Interim except for the deviation from the Code Provision C.2.1 of Part 2 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 Part 2 of the CG Code, 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 C3 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company.

Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during 2024 Interim. The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in Appendix C3 to the Listing Rules. No incident of non-compliance with the Model Code by the Company’s relevant employees has been noted during 2024 Interim after making reasonable enquiry.

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 2024 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 2024 INTERIM RESULTS AND INTERIM REPORT

This unaudited interim results announcement of the Group for 2024 Interim is published on the Stock Exchange’s website at www.hkexnews.hk and the Company’s website at www.activation-gp.com. The 2024 interim report containing all applicable information required under the Listing Rules will be published on the above websites in September 2024.

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, 15 August 2024

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.