

艾德韋宣集團控股有限公司

ACTIVATION GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability) Stock Code : 9919

2023 INTERIM REPORT

ACTIVATION GROUP

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Lau Kam Yiu
(Joint-Chairman & Chief Executive Officer)
 Mr. Ng Bo Sing
(Joint-Chairman & Chief Financial Officer)
 Mr. Chan Wai Bun *(Co-Chief Operating Officer)*
 Ms. Low Wei Mun *(Co-Chief Operating Officer)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Cheung Siu Wan
 Mr. Yu Longjun
 Dr. Cheung Wah Keung

COMPANY SECRETARY

Mr. Law Kwok Chun

AUTHORISED REPRESENTATIVES

Mr. Ng Bo Sing
 Mr. Law Kwok Chun

AUDIT COMMITTEE

Ms. Cheung Siu Wan *(Chairlady)*
 Mr. Yu Longjun
 Dr. Cheung Wah Keung

REMUNERATION COMMITTEE

Ms. Cheung Siu Wan *(Chairlady)*
 Mr. Lau Kam Yiu
 Mr. Yu Longjun

NOMINATION COMMITTEE

Mr. Lau Kam Yiu *(Chairman)*
 Mr. Yu Longjun
 Dr. Cheung Wah Keung

CORPORATE GOVERNANCE COMMITTEE

Mr. Ng Bo Sing *(Chairman)*
 Ms. Cheung Siu Wan
 Dr. Cheung Wah Keung

IP DEVELOPMENT COMMITTEE

Mr. Lau Kam Yiu *(Chairman)*
 Mr. Ng Bo Sing
 Mr. Yu Longjun

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Ng Bo Sing *(Chairman)*
 Mr. Yu Longjun
 Dr. Cheung Wah Keung

AUDITOR

Ernst & Young
 Certified Public Accountants
 Registered Public Interest Entity Auditor
 27/F, One Taikoo Place
 979 King's Road
 Quarry Bay
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REGISTERED OFFICE

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 Grand Cayman KY1-1111
 Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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 PRC

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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No. 70-72 Connaught Road West
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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Shops 1712-1716, 17th Floor
Hopewell Centre
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Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China
Shanghai Jianguo West Road Branch
No. 596 Jianguo West Road
Xuhui District
Shanghai
PRC

Hong Kong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

LEGAL ADVISERS

As to Hong Kong law
Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
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As to PRC law
Jingtian & Gongcheng
45/F, K. Wah Centre
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Shanghai
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As to Cayman Islands law
Conyers Dill & Pearman
Cricket Square
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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

SHARE LISTING

Main Board of The Stock Exchange of
Hong Kong Limited

STOCK CODE

9919

LISTING DATE

16 January 2020

INVESTOR AND MEDIA RELATIONS CONSULTANT

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COMPANY WEBSITE

www.activation-gp.com

HIGHLIGHTS OF INTERIM

EXPERIENTIAL MARKETING



ARC'TERYX 始祖鳥
Arc'teryx Fashion Show

CARTIER 卡地亞

“Cartier and Women” Exhibition



COMME MOI 似我

COMME MOI 2023SS Fashion Show

HIGHLIGHTS OF INTERIM

EXPERIENTIAL MARKETING



GUCCI 古馳

Gucci 《GUCCI COSMOS》 Exhibition

LOUIS VUITTON 路易威登

Louis Vuitton Women's Pre-Fall
2023 Collection



OPPO

OPPO Find X6 Launch Show



HIGHLIGHTS OF INTERIM

EXPERIENTIAL MARKETING



PUYUAN FASHION WEEK
濮院时装周

2023 PUYUAN Fashion Week

DIOR 迪奥

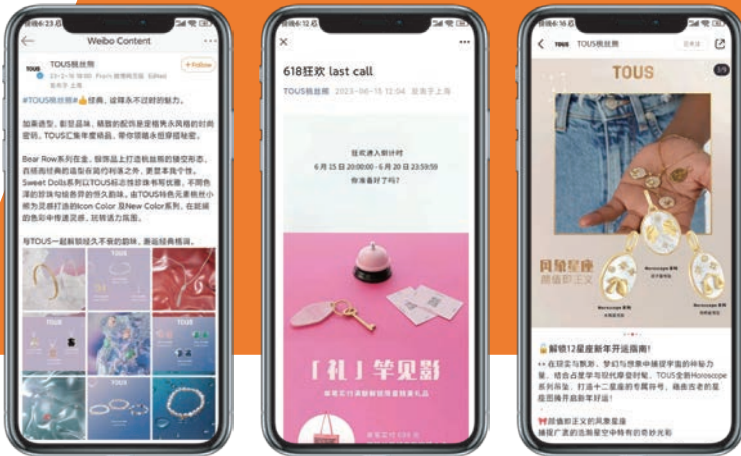
Dior 2023 Autumn Collection Preview



Mercedes-Benz 梅賽德斯-奔馳
EQE SUV Launch
& Go Beyond SUV Journey

HIGHLIGHTS OF INTERIM

DIGITAL & COMMUNICATION



TOUS 桃絲熊

Social Media Setup & Maintenance

NEW BALANCE 新百倫

Social Media Setup & Maintenance



MAX&Co. 麥克斯蔻

Social Media Setup & Maintenance



HIGHLIGHTS OF INTERIM

IP DEVELOPMENT



SHANGHAI DESIGN WEEK 上海設計周

18th International Architecture Exhibition
La Biennale di Venezia Pavilion of the P.R. China



SHANGHAI DESIGN WEEK 上海設計周

Shanghai Design Week in Paris



AWARDS AND RECOGNITIONS

COMPANY AWARD

- EMA 2023
Best Game Changer GOLD
2023 WDCC Metaverse Branch

- EMA 2023
Best Trade Show / Exhibition /
Conference BRONZE
Museum Of Ice Cream

- The 23rd IAI AWARDS
Automotive Marketing Award / New
Car Launch BRONZE
Launch of Rolls-Royce Phantom Series II in
China in 2022 and brand experience



MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of Activation Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 (“**2023 Interim**”) together with comparative figures for the six months ended 30 June 2022 (“**2022 Interim**”) and certain comparative figures as at 31 December 2022. These interim results have been reviewed by the Company’s audit committee.

INTERIM DIVIDEND

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

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders’ entitlement to the interim dividend, the register of members of the Company will be closed from Monday, 28 August 2023 to Wednesday, 30 August 2023, both days inclusive, during which period no transfer of Shares will be registered. As such, in order to be qualified for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the office of the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712 -16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration by 4:30 p.m. on Friday, 25 August 2023.

BUSINESS REVIEW AND OUTLOOK

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

One-stop Integrated Marketing Services

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

IP Development

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

Outlook

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Geographical Review

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

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

Business Segments Review

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

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

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

Experiential Marketing

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Digital and Communication

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

IP Development

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

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

FINANCIAL REVIEW

Cost of sales

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

Gross profit and gross profit margin

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

Other income and gains

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

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses

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

General and administrative expenses

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

Other expenses, net

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

Finance costs

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

Net profit and net profit margin

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

LIQUIDITY AND FINANCIAL RESOURCES

Cash and cash equivalents

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

Net proceeds from the Global Offering

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Borrowing and charges on the Group's assets

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

Gearing ratio

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

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

Employees and remuneration policies

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Trade receivables and trade payables

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

Contingent liabilities

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

Acquisition and disposal of subsidiaries and associated companies

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

Capital commitment

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

Significant investments

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

Future plan for material investments or capital assets

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

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.

OTHER INFORMATION AND CORPORATE GOVERNANCE

COMPLIANCE WITH CORPORATE GOVERNANCE CODE (“CG CODE”)

The Company has adopted the CG Code as set out in Part 2 of Appendix 14 to the Listing Rules. In the opinion of the Directors, the Company has fully complied with CG Code during the 2023 Interim except for the deviation from the Code Provision C.2.1 of the CG Code.

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

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

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during 2023 Interim. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during 2023 Interim.

CHANGES IN DIRECTORS’ INFORMATION

Dr. Cheung Wah Keung resigned as an independent non-executive director of Sky Light Holdings Limited (stock code: 3882), a company listed on the Main Board of the Stock Exchange, with effect from 28 February 2023.

Dr. Cheung Wah Keung has been appointed as an independent non-executive director of Sinomax Group Limited (stock code: 1418), a company listed on the Main Board of the Stock Exchange, with effect from 16 June 2023.

Save as disclosed above, there is no changes in the Directors’ information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

OTHER INFORMATION AND CORPORATE GOVERNANCE

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Position in the Shares

| Name of Director | Capacity/Nature of interest | Number of Shares | | Approximate percentage of shareholding (Note 1) |
|------------------|---|------------------|-------------|--|
| | | | Total | |
| Mr. Ng | Beneficial owner | 10,404,580 | 128,073,736 | 17.20% |
| | Interest of a controlled corporation (Note 2) | 117,669,156 | | |
| Mr. Lau | Beneficial owner | 17,513,288 | 171,926,810 | 23.09% |
| | Interest of a controlled corporation (Note 3) | 154,413,522 | | |
| Ms. Low | Beneficial owner | 20,300,521 | 62,155,238 | 8.35% |
| | Interest of a controlled corporation (Note 4) | 41,854,717 | | |
| Mr. Chan | Beneficial owner | 28,614,264 | 60,810,915 | 8.17% |
| | Interest of a controlled corporation (Note 5) | 32,196,651 | | |

Notes:

- The percentages of shareholding in this table were computed based on the number of issued Shares as at 30 June 2023, being 744,742,000 Shares.
- These 117,669,156 Shares are held by Activation Investment, which is ultimately controlled by Mr. Ng through NBS Holdings. Under the SFO, Mr. Ng is deemed to be interested in the Shares held by Activation Investment.
- These 154,413,522 Shares are held by Aurora Activation, which is ultimately controlled by Mr. Lau through Dashing Fortune. Under the SFO, Mr. Lau is deemed to be interested in the Shares held by Aurora Activation.
- These 41,854,717 Shares are held by Activation One, which is ultimately controlled by Ms. Low through Step Mind Enterprises Limited. Under the SFO, Ms. Low is deemed to be interested in the Shares held by Activation One.
- These 32,196,651 Shares are held by Brightly Sky, which is wholly-owned by ACT Partners. ACT Partners is in turn wholly-owned by Mr. Chan. Under the SFO, Mr. Chan is deemed to be interested in the Shares held by Brightly Sky.

OTHER INFORMATION AND CORPORATE GOVERNANCE

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

As at 30 June 2023, to the best knowledge and belief of the Directors, the following persons have interests or short positions in Shares or underlying Shares which will be required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long Position in the Shares

| Name of Shareholder | Capacity/Nature of interest | Number of Shares | Approximate percentage of shareholding (Note 1) |
|--|--|------------------|--|
| Activation Investment | Beneficial owner (Note 2) | 117,669,156 | 15.80% |
| NBS Holdings | Interest of a controlled corporation (Note 2) | 117,669,156 | 15.80% |
| Chung Wing Ting | Interest of spouse (Note 3) | 128,073,736 | 17.20% |
| Aurora Activation | Beneficial owner (Note 4) | 154,413,522 | 20.73% |
| Dashing Fortune | Interest of a controlled corporation (Note 4) | 154,413,522 | 20.73% |
| Li Meixuan | Interest of spouse (Note 5) | 171,926,810 | 23.09% |
| Aide Zhongxin | Beneficial owner | 46,554,906 | 6.25% |
| Activation One | Beneficial owner (Note 6) | 41,854,717 | 5.62% |
| Step Mind Enterprises Limited | Interest of a controlled corporation (Note 6) | 41,854,717 | 5.62% |
| RAYS Capital Partners | Investment manager (Note 7) | 66,940,298 | 8.99% |
| Asian Equity Special Opportunities Portfolio Master Fund | Beneficial owner (Note 7) | 51,940,298 | 6.97% |
| RUAN David Ching Chi | Interest of a controlled corporation (Note 7) | 66,940,298 | 8.99% |
| Snow Lake China Master Fund, Ltd | Beneficial owner (Note 8) | 37,500,000 | 5.04% |
| Snow Lake China Offshore Fund, Ltd. | Interest of a controlled corporation (Note 8) | 37,500,000 | 5.04% |
| Snow Lake Management LP | Interest of a controlled corporation (Note 8) | 37,500,000 | 5.04% |
| Snow Lake Management LLC | Interest of a controlled corporation (Note 8) | 37,500,000 | 5.04% |
| Ma Sean | Interest of a controlled corporation (Note 8) | 37,500,000 | 5.04% |

OTHER INFORMATION AND CORPORATE GOVERNANCE

Notes:

1. The percentages of shareholding in this table were computed based on the number of issued Shares as at 30 June 2023, being 744,742,000 Shares.
2. These 117,669,156 Shares are held by Activation Investment, which is ultimately controlled by Mr. Ng through NBS Holdings. Under the SFO, Mr. Ng and NBS Holdings are deemed to be interested in the Shares held by Activation Investment.
3. Ms. Chung Wing Ting is the spouse of Mr. Ng. Under the SFO, Ms. Chung Wing Ting is deemed to be interested in the same number of Shares which Mr. Ng is interested in.
4. These 154,413,522 Shares are held by Aurora Activation, which is ultimately controlled by Mr. Lau through Dashing Fortune. Under the SFO, Mr. Lau and Dashing Fortune are deemed to be interested in the Shares held by Aurora Activation.
5. Ms. Li Meixuan is the spouse of Mr. Lau. Under the SFO, Ms. Li Meixuan is deemed to be interested in the same number of Shares which Mr. Lau is interested in.
6. These 41,854,717 Shares are held by Activation One, which is ultimately controlled by Ms. Low through Step Mind Enterprises Limited. Under the SFO, Ms. Low and Step Mind Enterprises Limited are deemed to be interested in the Shares held by Activation One.
7. These 66,940,298 Shares comprise (1) 51,940,298 Shares held by Asian Equity Special Opportunities Portfolio Master Fund, which is wholly owned by RAYS Capital Partners; (2) 15,000,000 Shares held by other investors of RAYS Capital Partners. RAYS Capital Partners is owned as to approximately 45.60% by RUAN David Ching Chi. Under the SFO, RUAN David Ching Chi is deemed to be interested in the Shares held by Asian Equity Special Opportunities Portfolio Master Fund and RAYS Capital Partners.
8. According to the disclosure of interest form filed by these Shareholders on 13 June 2023, these 37,500,000 Shares are held by Snow Lake China Master Fund, Ltd., which is wholly owned by Snow Lake Management LP (as investment manager of Snow Lake China Master Fund, Ltd.) and owned as to approximately 88.70% by Snow Lake China Offshore Fund, Ltd. Snow Lake Management LP is wholly owned by Snow Lake Management LLC (as general partner of Snow Lake Management LP), which is ultimately controlled by Sean Ma (as managing member of Snow Lake Management LLC).

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

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

SHARE OPTION SCHEME

A share option scheme it was adopted by the written resolutions of the Shareholders passed on 19 December 2019 (the "**2019 Share Option Scheme**"). In light of the amendments of Chapter 17 of the Listing Rules which came into effect on 1 January 2023, the Company terminated the 2019 Share Option Scheme and adopted a new share option scheme (the "**2023 Share Option Scheme**") pursuant to the resolutions passed by the Shareholders at the annual general meeting of the Company held on 16 May 2023 for the purpose of, among other things, reflecting the latest changes and requirements under Chapter 17 of the Listing Rules.

The purposes of the 2023 Share Option Scheme are (i) to enable the Company to grant options to the eligible participants as incentives or rewards for their contribution to the growth and development of the Group; (ii) to attract and retain personnel to promote the sustainable development of the Group; and (iii) to align the interest of the grantees with those of the Shareholders to promote the long-term financial and business performance of the Company. A summary of the principal terms of the rules of the 2019 Share Option Scheme and 2023 Share Option Scheme is set out in the annual report of the Company for the year ended 31 December 2022 and the circular of the Company dated 21 April 2023 respectively.

OTHER INFORMATION AND CORPORATE GOVERNANCE

Since the adoption of the 2019 Share Option Scheme and up to its termination, no share option was granted, exercised, outstanding, cancelled or lapsed under the 2019 Share Option Scheme. Since the adoption of the 2023 Share Option Scheme and up to 30 June 2023, no share option was granted, exercised, outstanding, cancelled or lapsed under the 2023 Share Option Scheme.

SHARE AWARD PLAN

The share award plan of the Company was approved and adopted by the Board on 30 March 2020, and amended pursuant to the resolutions passed by the Shareholders at the annual general meeting of the Company held on 16 May 2023 for the purpose of, among other things, reflecting the latest changes and requirements under Chapter 17 of the Listing Rules (the “**Share Award Plan**”).

The purpose of the Share Award Plan is to recognise and reward the contributions of the eligible participants and give incentives thereto in order to retain them for the continuous operation and development of the Group, as well as to attract suitable personnel for further development of the Group. A summary of the principal terms of the rules of the Share Award Plan are set out in the circular of the Company dated 21 April 2023.

The Company has appointed Teeroy Limited as the trustee (the “**Trustee**”) to assist in the administration of the Share Award Plan. Our Company may (i) allot and issue Shares to the Trustee to be held by the Trustee and which will be used to satisfy the Shares underlying the share units upon exercise and/or (ii) direct and procure the Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the Shares underlying the share awards upon exercise. As at 30 June 2023, the number of Shares held by the Trustee for the purpose of the Share Award Plan was 840,000 Shares.

During 2023 Interim, the Company has granted a total of 11,070,000 awarded shares under the Share Award Plan (the “**Awarded Shares**”) to the eligible participants, details of which are set out in the table below:

OTHER INFORMATION AND CORPORATE GOVERNANCE

| Name/category of grantees | Date of grant | Average fair value per Share (note 1) HK\$ | Vesting Period | Closing price of the Shares (note 2) HK\$ | Number of Awarded Shares | | | | |
|---------------------------|---------------|---|------------------------------|--|-------------------------------|-----------------------------|----------------------------|--------------------------------------|-----------------------------|
| | | | | | Unvested as at 1 January 2023 | Granted during 2023 Interim | Vested during 2023 Interim | Cancelled/Lapsed during 2023 Interim | Unvested as at 30 June 2023 |
| Directors | | | | | | | | | |
| Mr. Lau | 8 March 2023 | 1.06 | 12 months from date of grant | 1.15 | — | 1,270,844 | — | — | 1,270,844 |
| Mr. Chan | 8 March 2023 | 1.06 | 12 months from date of grant | 1.15 | — | 4,211,001 | — | — | 4,211,001 |
| Employee | | | | | | | | | |
| | 8 March 2023 | 1.06 | 12 months from date of grant | 1.15 | — | 5,588,155 | — | — | 5,588,155 |
| | | | | | — | 11,070,000 | — | — | 11,070,000 |

Note:

1. The fair value of the Awarded Shares was determined with reference to the market value of the Shares at the grant date and the Group recognised an equity-settled share-based payment expense of approximately RMB3.3M for 2023 Interim.
2. It refers to the closing price of the Shares immediately before the date on which the Awarded Shares were granted.

No purchase price is payable by the grantees for the acceptance of the Awarded Shares and there is no performance target attached to the Awarded Shares granted to the grantees. The Awarded Shares will be satisfied by existing Shares purchases in the open market and no new Shares will be issued in respect of the Awarded Shares. There are no Awarded Shares cancelled during 2023 Interim.

As at 1 January 2023, the number of options and awards available for grant under the 2019 Share Option Scheme and the Share Award Plan was 80,000,000 and 101,600,000 respectively. As at 30 June 2023, the number of options and awards available for grant under the scheme mandate of all share schemes of the Company (including the 2023 Share Option Scheme and the Share Award Plan) in aggregate was 74,474,200 Shares.

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 results for 2023 Interim, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, internal control and financial reporting matters with the management of the Company.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

| | 2023 (Unaudited) RMB'000 | 2022 (Unaudited) RMB'000 |
|---|---|--------------------------------|
| PROFIT/(LOSS) FOR THE PERIOD | 41,026 | (8,502) |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | <u>(2,530)</u> | <u>3,257</u> |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD | <u>38,496</u> | <u>(5,245)</u> |
| Attributable to: | | |
| Owners of the parent | 35,552 | (5,239) |
| Non-controlling interests | <u>2,944</u> | <u>(6)</u> |
| | <u>38,496</u> | <u>(5,245)</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

| | <i>Notes</i> | 30 June 2023 (Unaudited) RMB'000 | 31 December 2022 (Audited) RMB'000 |
|--|--------------|---|---|
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Issued capital | 11 | 659 | 659 |
| Reserves | | 303,384 | 335,650 |
| | | 304,043 | 336,309 |
| Non-controlling interests | | 20,225 | 17,281 |
| Total equity | | 324,268 | 353,590 |

Lau Kam Yiu
Director

Ng Bo Sing
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

| | Attributable to owners of the parent | | | | | | | | | | | | | |
|---|--------------------------------------|----------------------|-----------------|---------------|--|-----------------|-------------------|----------------------------|------------------------------|--------------------------------------|------------------|----------|---------------------------|--------------|
| | Issued capital | Share premium | Treasury shares | Other reserve | Fair value reserve of financial asset at fair value through other comprehensive income | Capital reserve | Statutory reserve | Capital redemption reserve | Exchange fluctuation reserve | Shares held under share award scheme | Retained profits | Total | Non-controlling interests | Total equity |
| | RMB'000 (Note 11) | RMB'000 (Note 11) | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2023 (audited) | 659 | 182,541 | — | (58,474) | 3,249 | 14,023 | 37,288 | 21,748 | (8,709) | (10,205) | 154,189 | 336,309 | 17,281 | 353,590 |
| Profit for the period | — | — | — | — | — | — | — | — | — | — | 38,082 | 38,082 | 2,944 | 41,026 |
| Other comprehensive loss for the period: | | | | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | — | — | — | — | — | (2,530) | — | — | (2,530) | — | (2,530) |
| Total comprehensive income for the period | — | — | — | — | — | — | — | — | (2,530) | — | 38,082 | 35,552 | 2,944 | 38,496 |
| Share award arrangement | — | — | — | — | — | — | — | — | — | 3,763 | — | 3,763 | — | 3,763 |
| Purchases of shares under Share Award Plan | — | — | — | — | — | — | — | — | — | (1,011) | — | (1,011) | — | (1,011) |
| Dividend | — | (70,570) | — | — | — | — | — | — | — | — | — | (70,570) | — | (70,570) |
| At 30 June 2023 (unaudited) | 659 | 111,971 | — | (58,474) | 3,249 | 14,023 | 37,288 | 21,748 | (11,239) | (7,453) | 192,271 | 304,043 | 20,225 | 324,268 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

| | Attributable to owners of the parent | | | | | | | | | | | | | |
|---|--------------------------------------|----------------------|-----------------|---------------|--|-----------------|-------------------|----------------------------|------------------------------|--------------------------------------|------------------|----------|---------------------------|--------------|
| | Issued capital | Share premium | Treasury shares | Other reserve | Fair value reserve of financial asset at fair value through other comprehensive income | Capital reserve | Statutory reserve | Capital redemption reserve | Exchange fluctuation reserve | Shares held under share award scheme | Retained profits | Total | Non-controlling interests | Total equity |
| | RMB'000 (Note 11) | RMB'000 (Note 11) | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2022 (audited) | 667 | 252,354 | — | (47,697) | 3,985 | 14,023 | 36,390 | 22,317 | (11,864) | (12,524) | 148,664 | 406,315 | 23,099 | 429,414 |
| Loss for the period | — | — | — | — | — | — | — | — | — | — | (8,496) | (8,496) | (6) | (8,502) |
| Other comprehensive loss for the period: | | | | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | — | — | — | — | — | 3,257 | — | — | 3,257 | — | 3,257 |
| Total comprehensive loss for the period | — | — | — | — | — | — | — | — | 3,257 | — | (8,496) | (5,239) | (6) | (5,245) |
| Share repurchased | (7) | (13,857) | (153) | — | — | — | — | 4,811 | — | — | — | (9,206) | — | (9,206) |
| Share awards granted to directors under Share Award Plan | — | — | — | — | — | — | — | — | — | 6,337 | 923 | 7,260 | — | 7,260 |
| Dividend | — | — | — | (6,435) | — | — | — | (6,436) | — | — | — | (12,871) | — | (12,871) |
| At 30 June 2022 (unaudited) | 660 | 238,497 | (153) | (54,132) | 3,985 | 14,023 | 36,390 | 20,692 | (8,607) | (6,187) | 141,091 | 386,259 | 23,093 | 409,352 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

| | Notes | 2023 (Unaudited) RMB'000 | 2022 (Unaudited) RMB'000 |
|--|-------|--------------------------------|--------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/(loss) before tax | | 53,665 | (4,200) |
| Adjustments for: | | | |
| Finance costs | | 199 | 238 |
| Share of loss of an associate | | 368 | — |
| Interest income | 4 | (362) | (904) |
| Depreciation of property, plant and equipment | 5 | 1,138 | 873 |
| Depreciation of right-of-use assets | 5 | 1,407 | 1,346 |
| Amortisation of intangible assets | 5 | 80 | 154 |
| Impairment/(reversal of impairment) of trade receivables, net | 5 | (167) | 807 |
| Share award expense | | 3,763 | 6,996 |
| | | 60,091 | 5,310 |
| Decrease in trade receivables | | 83,389 | 43,968 |
| Increase in prepayments, deposits and other receivables | | (18,780) | (21,499) |
| Decrease in trade payables | | (42,862) | (100,307) |
| Decrease in other payables and accruals | | (8,438) | (10,806) |
| | | 73,400 | (83,334) |
| Cash generated from/(used in) operations | | (16,145) | (21,907) |
| Taxes paid | | | |
| | | 57,255 | (105,241) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | | 362 | 904 |
| Purchases of items of property, plant and equipment | | (534) | (2,231) |
| Purchases of intangible assets | | (629) | (26) |
| Proceeds from disposal of items of property, plant and equipment | | — | 1 |
| Purchase of equity investment at fair value through other comprehensive income | | — | (19,398) |
| Investment in a joint venture | | — | (510) |
| | | (801) | (21,260) |
| Net cash flows used in investing activities | | | |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

| | 2023 (Unaudited) RMB'000 | 2022 (Unaudited) RMB'000 |
|--|---|--------------------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repurchase of shares | — | (9,206) |
| Dividends paid | (38,246) | (6,353) |
| Principal portion of lease payments | (1,563) | (714) |
| Interest portion of lease payments | (199) | (238) |
| Purchases of share held under the restricted Share Award Plan | (1,011) | — |
| | <u>(41,019)</u> | <u>(16,511)</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents at beginning of period | 300,269 | 405,817 |
| Effect of foreign exchange rate changes, net | (2,532) | 3,516 |
| | <u>313,172</u> | <u>266,321</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | |
| | <u>313,172</u> | <u>266,321</u> |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents as stated in the statement of financial position | <u>313,172</u> | <u>266,321</u> |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

1. CORPORATE AND GROUP INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting*. The unaudited condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group has recognised a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases, the amendments did not have any impact to the Group.
- (d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

3. OPERATING SEGMENT INFORMATION *(Continued)*

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

3. OPERATING SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2022 (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 <i>(note 4)</i> | | | | |
| Sales to external customers | 107,623 | 65,145 | 4 | <u>172,772</u> |
| Segment results | (4,664) | 5,858 | (3,099) | (1,905) |
| <i>Reconciliation:</i> | | | | |
| Corporate and other unallocated expenses, net | | | | (2,057) |
| Finance costs | | | | <u>(238)</u> |
| Loss before tax | | | | <u><u>(4,200)</u></u> |
| Other segment information | | | | |
| Depreciation and amortisation | 740 | 275 | 12 | 1,027 |
| Impairment/(reversal of impairment) of trade receivables | (666) | 1,474 | (1) | 807 |
| Capital expenditure* | 2,170 | 87 | — | 2,257 |
| As at 31 December 2022 (Audited) | | | | |
| Segment assets | 506,619 | 79,799 | 39,891 | 626,309 |
| <i>Reconciliation:</i> | | | | |
| Corporate and other unallocated assets | | | | <u>84,937</u> |
| Total assets | | | | <u><u>711,246</u></u> |
| Segment liabilities | 240,581 | 33,006 | 46,937 | 320,524 |
| <i>Reconciliation:</i> | | | | |
| Corporate and other unallocated liabilities | | | | <u>37,132</u> |
| Total liabilities | | | | <u><u>357,656</u></u> |

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

3. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

| | For the six months ended 30 June | |
|---------------------|----------------------------------|--------------------------------|
| | 2023 (Unaudited) RMB'000 | 2022 (Unaudited) RMB'000 |
| Mainland China | 313,159 | 166,061 |
| Hong Kong/Singapore | 37,103 | 6,711 |
| | <u>350,262</u> | <u>172,772</u> |

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

(b) Non-current assets

| | 30 June | 31 December |
|---------------------|--------------------------------|------------------------------|
| | 2023 (Unaudited) RMB'000 | 2022 (Audited) RMB'000 |
| Mainland China | 18,086 | 18,572 |
| Hong Kong/Singapore | 65 | — |
| | <u>18,151</u> | <u>18,572</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, investment at fair value through profit and loss and right-of-use assets.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

3. OPERATING SEGMENT INFORMATION *(Continued)*

Information about major customers

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

| | 2023 (Unaudited) RMB'000 | 2022 (Unaudited) RMB'000 |
|------------|---|--------------------------------|
| Customer A | 71,838 | 47,303 |
| Customer B | 49,350 | —* |
| Customer C | 43,631 | —* |
| Customer D | 43,206 | —* |
| Customer E | 39,389 | 23,917 |
| Customer F | —* | 22,880 |

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

* Contributing less than 10% to the total revenue of the Group in the current/prior period.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | For the six months ended 30 June | |
|--|---|--------------------------------|
| | 2023 (Unaudited) RMB'000 | 2022 (Unaudited) RMB'000 |
| <i>Revenue from contracts with customers</i> | | |
| Major service lines | | |
| Experiential marketing services | 280,193 | 107,623 |
| Digital and communication services | 61,618 | 65,145 |
| IP development | 8,451 | 4 |
| | 350,262 | 172,772 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

4. REVENUE, OTHER INCOME AND GAINS *(Continued)*

(i) Disaggregated revenue information

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

* Included projects on retainer basis.

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

4. REVENUE, OTHER INCOME AND GAINS *(Continued)*

An analysis of other income and gains is as follows:

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

* The government subsidies mainly represented subsidies received by certain subsidiaries of the Group from PRC's local government authorities as incentives to support the Group's business development/contribution to local economies/contribution for developing the cultural industry in specific cities and subsidies granted under the Employment Support Scheme from the Government of the Hong Kong Special Administrative Region. There were no unfulfilled conditions or contingencies relating to these government subsidies.

5. PROFIT/(LOSS) BEFORE TAX

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

| | For the six months ended 30 June | |
|--|----------------------------------|--------------------------------|
| | 2023 (Unaudited) RMB'000 | 2022 (Unaudited) RMB'000 |
| Cost of services rendered | 245,185 | 120,075 |
| Depreciation of property, plant and equipment** | 1,138 | 873 |
| Depreciation of right-of-use assets** | 1,407 | 1,346 |
| Amortisation of intangible assets** | 80 | 154 |
| Impairment/(reversal of impairment) of trade receivables, net* | (167) | 807 |
| Foreign exchange differences, net* | 379 | 18 |
| | 379 | 18 |

* 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

6. INCOME TAX

Taxes on profits assessable in Mainland China have been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% (2022: 25%) during the period.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

For those subsidiaries incorporated in Hong Kong, Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

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

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

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

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

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

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment at a cost of approximately RMB534,000 (six months ended 30 June 2022: RMB2,231,000). Assets with a net book value of approximately Nil were disposed of by the Group during the six months ended 30 June 2023 (30 June 2022: RMB1,000), resulting in a net gain on disposal of approximately Nil (six months ended 30 June 2022: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

9. TRADE RECEIVABLES

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

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

10. TRADE PAYABLES

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

11. ISSUED CAPITAL

Shares

| | 30 June 2023 (Unaudited) RMB'000 | 31 December 2022 (Audited) RMB'000 |
|---|---|---|
| Authorised: | | |
| 10,000,000,000 ordinary shares of HK\$0.001 each | 8,800 | 8,800 |
| Issued and fully paid: | | |
| 744,742,000 ordinary shares of HK\$0.001 each (31 December 2022: 744,742,000 ordinary shares of HK\$0.001 each) | 659 | 659 |

A summary of movements in the Company's authorised, issued share capital and share premium is as follows:

| | <i>Note</i> | Number of shares | Issued capital RMB'000 | Share premium RMB'000 |
|--|-------------|-----------------------------|---------------------------------------|--------------------------------------|
| At 1 January 2022 | | 753,718,000 | 667 | 252,354 |
| Repurchases and cancellation of 8,976,000 ordinary shares of HK\$0.001 during the year | (a) | (8,976,000) | (8) | (16,049) |
| Dividend paid | | — | — | (53,764) |
| At 31 December 2022 and at 1 January 2023 | | 744,742,000 | 659 | 182,541 |
| Dividend paid | | — | — | (70,570) |
| At 30 June 2023 | | 744,742,000 | 659 | 111,971 |

- (a) During the year ended 31 December 2022, the Company purchased 8,976,000 of its shares on the Stock Exchange for an aggregate consideration of approximately RMB10,191,000, which was paid in accordance with section 257 of the Hong Kong Companies Ordinance and 8,976,000 shares repurchased were cancelled during the year. Upon the cancellation of 8,976,000 shares repurchased, the issued share capital and share premium account of the Company was reduced by approximately RMB8,000 and RMB16,049,000, respectively. The difference between the aggregate consideration paid and the change in balances of share capital, share premium account and treasury shares for the share repurchase was credited to the capital redemption reserve account of the Company.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

12. COMMITMENT

The Group had the following capital commitment at the end of the reporting period:

| | 30 June 2023 (Unaudited) RMB'000 | 31 December 2022 (Audited) RMB'000 |
|---|---|---|
| Contracted, but not provided for: | | |
| Capital contribution payable to a joint venture | 5,100 | 5,100 |

13. DIVIDEND

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

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

14. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with a related party during the period:

| | For the six months ended 30 June | |
|--------------------------|---|--------------------------------|
| | 2023 (Unaudited) RMB'000 | 2022 (Unaudited) RMB'000 |
| Related company: | | |
| Short-term lease expense | 1,125 | 1,125 |

Rentals were charged in accordance with the tenancy agreements entered into between the relevant parties. A director of the Company during the current period and prior period has a beneficial equity interest in the related company.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

14. RELATED PARTY TRANSACTIONS *(Continued)*

- (b) Compensation of key management personnel of the Group

Remuneration for key management personnel of the Group, including directors' remuneration, is as follows:

| | For the six months ended 30 June | |
|---|----------------------------------|--------------------------------|
| | 2023 (Unaudited) RMB'000 | 2022 (Unaudited) RMB'000 |
| Short-term employee benefits | 4,907 | 12,048 |
| Post-employment benefits | 399 | 373 |
| | <hr/> | <hr/> |
| Total compensation paid to key management personnel | 5,306 | 12,421 |

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

| | Carrying amounts | |
|--|---|---|
| | 30 June 2023 (Unaudited) RMB'000 | 31 December 2022 (Audited) RMB'000 |
| Financial assets | | |
| Equity investments designated at fair value through other comprehensive income | 42,344 | 42,344 |
| Equity investment at fair value through profit or loss | 16,354 | 16,354 |
| | <hr/> | <hr/> |
| | 58,698 | 58,698 |
| | <hr/> | <hr/> |
| | Fair values | |
| | 30 June 2023 (Unaudited) RMB'000 | 31 December 2022 (Audited) RMB'000 |
| Financial assets | | |
| Equity investments designated at fair value through other comprehensive income | 42,344 | 42,344 |
| Equity investment at fair value through profit or loss | 16,354 | 16,354 |
| | <hr/> | <hr/> |
| | 58,698 | 58,698 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

At the end of the reporting period, the carrying amounts of the Group's other financial assets and financial liabilities reasonably approximated to their fair values.

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, reasonably approximate to their carrying amounts largely because these instruments have short term maturities, are repayable on demand or the effect of discounting is not material.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by management.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of listed equity investment at fair value through other comprehensive income and unlisted equity investment through profit or loss are based on quoted market price. The fair value of the unlisted equity investment at fair value through other comprehensive income have been estimated using the discounted cash flow valuation model. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2023.

| | Valuation Technique | Significant input unobservable | Range | Sensitivity of fair value to the input |
|----------------------------|--------------------------------|------------------------------------|-------|--|
| Unlisted equity investment | Equity value allocation method | Discount rate | 16% | 1% increase/decrease in discount rate would result in increase/decrease in fair value by RMB1,307,000/RMB1,106,000 |
| | | Discount for lack of marketability | 23% | 5% increase/decrease in discount rate would result in increase/decrease in fair value by RMB879,000 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

| | Fair value measurement using | | | Total (Unaudited) RMB'000 |
|---|---|--|--|---------------------------------|
| | Quoted prices in active markets (Level 1) (Unaudited) RMB'000 | Significant observable inputs (Level 2) (Unaudited) RMB'000 | Significant unobservable inputs (Level 3) (Unaudited) RMB'000 | |
| As at 30 June 2023 | | | | |
| Equity investments at fair value through other comprehensive income | 17,217 | — | 25,127 | 42,344 |
| Equity investment at fair value through profit or loss | — | 16,354 | — | 16,354 |
| | 17,217 | 16,354 | 25,127 | 58,698 |

| | Fair value measurement using | | | Total (Audited) RMB'000 |
|---|---|--|--|-------------------------------|
| | Quoted prices in active markets (Level 1) (Audited) RMB'000 | Significant observable inputs (Level 2) (Audited) RMB'000 | Significant unobservable inputs (Level 3) (Audited) RMB'000 | |
| As at 31 December 2022 | | | | |
| Equity investments at fair value through other comprehensive income | 17,217 | — | 25,127 | 42,344 |
| Equity investment at fair value through profit or loss | — | 16,354 | — | 16,354 |
| | 17,217 | 16,354 | 25,127 | 58,698 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Assets measured at fair value: *(Continued)*

The movements in fair value measurements within Level 3 during the period/year are as follows:

| | 30 June 2023 (Unaudited) RMB'000 | 31 December 2022 (Audited) RMB'000 |
|--|---|---|
| Equity investment at fair value through other comprehensive income | | |
| At 1 January | 25,127 | — |
| Purchases | — | 20,000 |
| Total gain recognised in other comprehensive income | — | 3,527 |
| Exchange realignment | — | 1,600 |
| | <hr/> | <hr/> |
| At 30 June/31 December | <u>25,127</u> | <u>25,127</u> |

The Group did not have any financial liabilities measured at fair value as at the period/year end.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (six months ended 30 June 2022: Nil).

DEFINITIONS

| | |
|---------------------------------|---|
| “2022 Interim” | six months ended 30 June 2022 |
| “2023 Interim” | six months ended 30 June 2023 |
| “ACT Partners” | ACT Partners Global Ltd., a company incorporated in the BVI with limited liability on 10 December 2018 |
| “Activation Investment” | Activation Investment Limited (艾特投資有限公司), a limited liability company incorporated in Hong Kong under the Companies Ordinance on 5 September 2013 which is ultimately wholly owned by Mr. Ng |
| “Activation One” | Activation One Limited (艾特聯合有限公司), a limited company incorporated in Hong Kong under the Companies Ordinance on 4 September 2013, which is ultimately controlled by Ms. Low through Step Mind Enterprises Limited |
| “Aide Zhongxin” | Aide Zhongxin (Shanghai) Investment Management Enterprise (Limited Partnership)* (艾德眾信(上海)投資管理企業(有限合夥)), a limited partnership established under the laws of the PRC on 14 March 2014 |
| “Aurora Activation” | Aurora Activation Holdings Limited (極光動力控股有限公司), a limited company incorporated in Hong Kong under the Companies Ordinance on 23 September 2013 which is ultimately wholly owned by Mr. Lau |
| “Board” or “Board of Directors” | the board of Directors of the Company |
| “Brightly Sky” | Brightly Sky Company Limited (卓明遠達有限公司), a limited company incorporated in Hong Kong under the Companies Ordinance on 17 September 2013 which is wholly owned by ACT Partners |
| “BVI” | British Virgin Islands |
| “Companies Act” | the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands |
| “Companies Ordinance” | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Company” | Activation Group Holdings Limited (艾德韋宣集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 27 February 2019 under the Companies Act |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |

DEFINITIONS

| | |
|--|--|
| “Controlling Shareholder(s)” | has the meaning ascribed to it under the Listing Rules, and in the context of this interim report, means the controlling shareholders of the Company, being Mr. Ng, NBS Holdings, Activation Investment, Mr. Lau, Dashing Fortune and Aurora Activation |
| “Dashing Fortune” | Dashing Fortune International Limited (利高國際有限公司), a company incorporated in the BVI with limited liability on 15 April 2013 and wholly owned by Mr. Lau |
| “Director(s)” | the director(s) of the Company |
| “Greater China” | geographic area that shares commercial and cultural ties, including Hong Kong, Macau and China |
| “Group” | the Company and its subsidiaries, or where the context refers to any time prior to the Company becoming the holding company of its present subsidiaries, the present subsidiaries of the Company and the businesses operated by such subsidiaries or their predecessors (as the case may be) |
| “Hong Kong” or “HK” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong dollars” or “HK\$” or “HKD” | Hong Kong dollars, the lawful currency of Hong Kong |
| “IP” | intellectual property |
| “IP development” | also known as IP activation, the business which involves introducing, developing and growing an IP for clients |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time |
| “Main Board” | the stock market (excluding the options market) operated by the Stock Exchange and which is independent from and operated in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM |
| “Mr. Chan” | Mr. Chan Wai Bun (陳偉彬), an executive Director and co-chief operating officer of the Company |
| “Mr. Lau” | Mr. Lau Kam Yiu (劉錦耀), an executive Director, the joint-chairman of the Board, the chief executive officer of the Company and a Controlling Shareholder |
| “Mr. Ng” | Mr. Ng Bo Sing (伍寶星), an executive Director, the joint-chairman of the Board, the chief financial officer of the Company and a Controlling Shareholder |
| “Ms. Low” | Ms. Low Wei Mun (劉慧文), an executive Director and co-chief operating officer of the Company |

DEFINITIONS

| | |
|-------------------|---|
| “NBS Holdings” | NBS Holdings Limited, a company incorporated in the BVI with limited liability on 25 January 2007 and wholly owned by Mr. Ng |
| “PRC” or “China” | the People’s Republic of China which, for the purposes of this interim report excludes Hong Kong, Macau and Taiwan |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Share(s)” | ordinary share(s) of HK\$0.001 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | has the meaning ascribed to it under the Listing Rules |