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## **AM GROUP HOLDINGS LIMITED**

### **秀商時代控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1849)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

The board of directors of AM Group Holdings Limited (the “Company”, the “Directors” and the “Board”, respectively) announces the unaudited interim financial results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2020 (the “Reporting Period”) together with the relevant comparative figures.

### **FINANCIAL HIGHLIGHTS**

Revenue of the Group for the Reporting Period was S\$14.5 million, representing an increase of 5% over the corresponding period in 2019.

Gross profit for the Reporting Period stood at S\$4.2 million, representing a decrease of 19% over the corresponding period in 2019.

Profit for the Reporting Period was S\$0.9 million, as compared to a profit of S\$2.1 million for the corresponding period in 2019. The decrease was mainly due to the following reasons:

1. Decrease revenue in Search Engine Marketing Services and Creative and Technology Services from approximately S\$10.7 million to approximately S\$9.0 million and from approximately S\$2.5 million to approximately S\$1.3 million respectively
2. Decrease in gross profit from approximately S\$5.2 million to approximately S\$4.2 million
3. Increase in general and administrative expenses from approximately S\$2.1 million to approximately S\$3.1 million

The Board has resolved not to declare any interim dividend in respect of the six months ended 31 December 2020 (six months ended 31 December 2019: nil).

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 31 December 2020*

		<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2020</b>	<b>2019</b>
	<i>Notes</i>	<i>S\$'000</i>	<i>S\$'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	4	<b>14,475</b>	13,813
Cost of services		<b>(10,264)</b>	(8,632)
<b>Gross profit</b>		<b>4,211</b>	5,181
Other income	5	<b>380</b>	107
Other losses	6	<b>(425)</b>	(16)
Selling expenses		<b>(783)</b>	(592)
General and administrative expenses		<b>(3,141)</b>	(2,077)
Finance costs	7	<b>(29)</b>	(28)
Share of results of associate		<b>763</b>	—
<b>Profit before taxation</b>		<b>976</b>	2,575
Income tax expense	8	<b>(338)</b>	(491)
<b>Profit for the period</b>	9	<b>638</b>	2,084
<b>Other comprehensive income:</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>273</b>	4
<b>Profit and total comprehensive income for the period</b>		<b>911</b>	2,088
<b>Profit attributable to:</b>			
Equity holders of the Company		<b>476</b>	—
Non-controlling interests		<b>162</b>	—
		<b>638</b>	—
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		<b>695</b>	2,084
Non-controlling interests		<b>216</b>	—
		<b>911</b>	2,084
<b>Earnings per share (in Singapore cents)</b>			
Basic and diluted	11	<b>0.08</b>	0.25

# **UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 December 2020*

		<b>31 December 2020 S\$'000 (Unaudited)</b>	<b>30 June 2020 S\$'000 (Audited)</b>
	<i>Notes</i>		
<b>Non-current assets</b>			
Plant and equipment	13	<b>288</b>	77
Investment property		<b>2,718</b>	2,750
Deferred tax assets		—	44
Trade and other receivables	15	<b>8,110</b>	7,692
Right-of-use assets		<b>223</b>	242
Goodwill	12	<b>11,899</b>	—
Intangible assets	14	<b>177</b>	—
		<b>23,415</b>	10,805
<b>Current assets</b>			
Trade and other receivables	15	<b>12,735</b>	6,373
Cash and cash equivalents	16	<b>11,169</b>	19,125
		<b>23,904</b>	25,498
<b>Current liabilities</b>			
Trade and other payables	17	<b>10,831</b>	3,113
Contract liabilities	18	<b>4,862</b>	2,839
Bank borrowings	20	<b>107</b>	107
Income tax payable		<b>404</b>	908
Lease liabilities	19	<b>158</b>	244
		<b>16,362</b>	7,211
<b>Net current assets</b>		<b>7,542</b>	18,287
<b>Total assets less current liabilities</b>		<b>30,957</b>	29,092

		<b>31 December 2020 S\$'000 (Unaudited)</b>	<b>30 June 2020 S\$'000 (Audited)</b>
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Bank borrowings	20	<b>1,946</b>	2,007
Lease liabilities	19	<b>67</b>	—
		<u><b>2,013</b></u>	<u>2,007</u>
<b>Net assets</b>		<u><b>28,944</b></u>	<u>27,085</u>
<b>Capital and reserves</b>			
Share capital	21	<b>1,389</b>	1,389
Share premium	22	<b>19,366</b>	19,366
Reserves		<u><b>7,025</b></u>	<u>6,330</u>
		<b>27,780</b>	27,085
Non-controlling interests		<u><b>1,164</b></u>	<u>—</u>
<b>Equity attributable to owners of the Company</b>		<u><b>28,944</b></u>	<u>27,085</u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2020

	Share capital <i>S\$'000</i>	Share premium <i>S\$'000</i>	Merger reserve <i>S\$'000</i>	Translation reserve <i>S\$'000</i>	Retained earnings <i>S\$'000</i>	Non- controlling interests <i>S\$'000</i>	Total equity <i>S\$'000</i>
<b>Balance as at 1 July 2019 (Unaudited)</b>	1,389	19,366	220	92	3,537	—	24,604
Profit for the period	—	—	—	—	2,084	—	2,084
Other comprehensive income for the period:							
Exchange differences arising on translation of a foreign operation	—	—	—	4	—	—	4
Total comprehensive income	—	—	—	4	2,084	—	2,088
<b>Balance as at 31 December 2019 (Unaudited)</b>	<u>1,389</u>	<u>19,366</u>	<u>220</u>	<u>96</u>	<u>5,621</u>	<u>—</u>	<u>26,692</u>
<b>Balance as at 1 July 2020 (Unaudited)</b>	1,389	19,366	220	92	6,018	—	27,085
Contribution by and distribution to owners	—	—	—	—	476	162	638
Profit for the period	—	—	—	—	476	162	638
Other comprehensive income for the period:							
Exchange differences arising on translation of foreign operations	—	—	—	219	—	54	273
Total comprehensive income	—	—	—	219	476	216	911
Non-controlling interest arising from acquisition of a subsidiary	—	—	—	—	—	948	948
<b>Balance as at 31 December 2020 (Unaudited)</b>	<u>1,389</u>	<u>19,366</u>	<u>220</u>	<u>311</u>	<u>6,494</u>	<u>1,164</u>	<u>28,944</u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2020

	Six months ended 31 December	
	2020	2019
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	976	2,575
Adjustments for:		
Amortisation of intangible assets	6	—
Depreciation of plant and equipment	57	38
Depreciation of investment property	32	34
Depreciation of right-of-use assets	127	9
Finance costs	29	28
Interest income	(13)	(25)
Bad debts directly written (back)/off	(2)	27
Impairment loss, net of reversal on trade receivables	257	63
(Gain) on disposal of property, plant and equipment	—	(1)
Exchange difference	53	4
Share of results of associate	(763)	—
Operating cash flows before movements in working capital	759	2,752
Movements in working capital:		
(Increase)/Decrease in trade and other receivables	(7,037)	5
Increase/(Decrease) in trade and other payables	7,731	(2,628)
Increase/(Decrease) in contract liabilities	2,023	(618)
Cash generated from/(used in) operations	3,476	(489)
Income tax paid	(800)	(705)
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>2,676</b>	<b>(1,194)</b>
<b>INVESTING ACTIVITIES</b>		
Interest received from time deposits	13	25
Purchase of plant and equipment	(282)	(45)
Proceeds from disposal of property, plant and equipment	3	1
Advance payment for purchase of plant and equipment	—	(4,800)
Net cash outflow on acquisition of a subsidiary	(9,971)	—
Additional to intangible assets	(183)	—
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(10,420)</b>	<b>(4,819)</b>

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of bank borrowings	(61)	(61)
Interest paid	(29)	(27)
Proceeds from issuance of shares under share offer	—	17,251
Repayment of lease liabilities	(127)	(9)
	<u>          </u>	<u>          </u>
<b>NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES</b>	<b>(217)</b>	<b>17,154</b>
	<u>          </u>	<u>          </u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(7,961)</b>	<b>11,141</b>
	<u>          </u>	<u>          </u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>19,125</b>	<b>9,788</b>
Effect of foreign exchange rate changes	5	—
	<u>          </u>	<u>          </u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>11,169</b>	<b>20,929</b>
	<u>          </u>	<u>          </u>

# **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 31 December 2020*

## **1. GENERAL INFORMATION**

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 7 December 2017. The registered office of the Company is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business is at 60 Paya Lebar Road, #12-51/52 Paya Lebar Square, Singapore 409051. The shares of the Company have been listed on the Stock Exchange since 26 June 2019.

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are provision of digital media services, marketing services, technical services and platform services.

Other than the subsidiaries of the Company established in the People's Republic of China (the "PRC" or "China") whose functional currency is Renminbi ("RMB") and the subsidiary of the Company established in Malaysia whose functional currency is Ringgit ("RM"), the functional currency of the remaining subsidiaries of the Company established in Singapore is Singapore dollars ("S\$").

The unaudited condensed consolidated financial statements of the Group are presented in S\$, which is also the functional currency of the Company.

## **2. BASIS OF PREPARATION**

The condensed consolidated financial statements of the Group (the "Condensed Consolidated Interim Financial Statements") have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). In addition, the Condensed Consolidated Interim Financial Statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The Condensed Consolidated Interim Financial Statements should be read in conjunction with the Company's consolidated financial statements for the year ended 30 June 2020. The accounting policies and methods of computation adopted for the condensed consolidated financial statements are consistent with those adopted in the annual financial statements for the year ended 30 June 2020 and the particulars of the Group's adoption of new and amended standards are set out below.

## **3. APPLICATION OF NEW AND REVISED IFRSs**

During the period, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 January 2020. The application of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior periods. The Group has not early applied the new and revised IFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these new standards, amendments and interpretations will have no material impact on the unaudited condensed consolidated financial statements of the Group.



#### 4. REVENUE AND SEGMENT INFORMATION

##### Revenue

The analysis of the Group's revenue for the period is as follows:

	Six months ended 31 December	
	2020	2019
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Search engine marketing services	9,008	10,719
Creative and technology services	1,280	2,473
Social media marketing services	840	621
Technical and platform services	2,957	—
Marketing services	390	—
	<u>14,475</u>	<u>13,813</u>
	Six months ended 31 December	
	2020	2019
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition:		
Over time:		
— Search engine marketing services	9,008	10,719
— Social media marketing services	840	621
— Marketing services	390	—
	<u>10,238</u>	<u>11,340</u>
At point in time:		
— Creative and technology services	1,280	2,473
— Technical and platform services	2,957	—
	<u>14,475</u>	<u>13,813</u>

The customers of the Group mainly include local and international brands across various business sectors.

The Group provides search engine marketing services and social media marketing services and marketing services to customers. Such services are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue is recognised for these search engine marketing services, social media marketing services and marketing services based on the stage of completion of the contract using input method. The Group generally requires customers to provide upfront payments of certain percentage of the contract sum. When the Group receives a deposit before service commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit. The period for the search engine marketing services and social media marketing services is generally within 1 year. Revenues recognised from these services are based on a fixed fee. The Group generally bills the remaining balances on a periodic basis and provides credit terms of 7 days to its customers (2019: no credit terms).

The Group provides creative and technology services and technical and platform services to customers. Such services are recognised at a point in time because the Group has determined that control of the performance obligation has been transferred to the customers (i.e. service performed) as the Group has the right to payment for its services and customers have accepted its services. Revenue recognised from creative and technology services and platform services are based on a fixed fee. The Group generally bills its customers when services are performed and provides credit terms of 7 days to its customers (2019: no credit terms).

All services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

### **Segment information**

Information reported to the chief executive officer of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on the types of services provided.

Specifically, the Group’s reportable segments under IFRS 8 are as follows:

1. Search engine marketing services — online marketing services in Singapore and Malaysia that involve the promotion of websites by increasing their visibility in search engine results pages primarily through paid advertising.
2. Creative and technology services — website development and hosting and other advertisement supporting services in Singapore and Malaysia.
3. Social media marketing services — online advertising services in Singapore and Malaysia that utilise the unique features of social media platform to deliver customised information to specific target customers.
4. Technical and platform services — technical service for registering an account on the platform and transaction proceeds on the platform.
5. Marketing services — expertise live broadcast, short video promotion, App feature image and advertising display.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

## Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by operating and reportable segments.

### For the six months ended 31 December 2019

	Search engine marketing services <i>S\$'000</i> (Unaudited)	Creative and technology services <i>S\$'000</i> (Unaudited)	Social media marketing services <i>S\$'000</i> (Unaudited)	Total <i>S\$'000</i> (Unaudited)
<b>REVENUE</b>				
External sales and segment revenue	<u>10,719</u>	<u>2,473</u>	<u>621</u>	<u>13,813</u>
<b>RESULTS</b>				
Segment profit	<u>2,803</u>	<u>2,145</u>	<u>233</u>	5,181
Unallocated other income				107
Other losses				(16)
Selling expenses				(592)
General and administrative expenses				(2,077)
Finance costs				<u>(28)</u>
Profit before tax				<u>2,575</u>

**For the six months ended 31 December 2020**

	Search engine marketing services <i>S\$'000</i> (Unaudited)	Creative and technology services <i>S\$'000</i> (Unaudited)	Social media marketing services <i>S\$'000</i> (Unaudited)	Technical and platform services <i>S\$'000</i> (Unaudited)	Marketing services <i>S\$'000</i> (Unaudited)	Total <i>S\$'000</i> (Unaudited)
<b>REVENUE</b>						
External sales and segment revenue	<u>9,008</u>	<u>1,280</u>	<u>840</u>	<u>2,957</u>	<u>390</u>	<u>14,475</u>
<b>RESULTS</b>						
Segment profit	<u>1,353</u>	<u>878</u>	<u>284</u>	<u>1,503</u>	<u>193</u>	4,211
Unallocated other income						380
Other losses						(425)
Selling expenses						(783)
General and administrative expenses						(3,141)
Finance costs						(29)
Share of results of associate						<u>763</u>
Profit before tax						<u>976</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of general and administrative expenses, selling expenses, finance costs, other income and other losses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

There were no inter-segment sales for each of the reporting periods.

**Segment assets and liabilities**

Information reported to the CODM for the purposes of resources allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

## Geographical information

### *Revenue by geographical location*

Information about the Group's revenue from external customers by geographical location, determined based on the location of services rendered are detailed below:

	<b>Six months ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Singapore (country of domicile)	<b>10,391</b>	12,641
Malaysia	<b>737</b>	1,172
China	<b>3,347</b>	—
	<hr/>	<hr/>
	<b>14,475</b>	<b>13,813</b>
	<hr/> <hr/>	<hr/> <hr/>

### *Non-current assets by geographical location*

Information about the Group's non-current assets is presented based on the geographical location of the assets.

	<b>31 December</b>	<b>30 June</b>
	<b>2020</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Singapore (country of domicile)	<b>2,890</b>	3,103
British Virgin Islands	<b>7,692</b>	7,692
Malaysia	<b>251</b>	10
China	<b>12,582</b>	—
	<hr/>	<hr/>
	<b>23,415</b>	<b>10,805</b>
	<hr/> <hr/>	<hr/> <hr/>

### *Information about major customers*

No single customer contributes over 10% or more of the Group's total revenue.

## 5. OTHER INCOME

	Six months ended 31 December	
	2020	2019
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Government grants ( <i>Note</i> )	287	1
Rental income	—	54
Interest income	13	25
Others ( <i>Note</i> )	80	27
	<u>380</u>	<u>107</u>

*Note:* Included in government grants during the six months ended 31 December 2020 is an amount of S\$269,000 relating to grant provided by Singapore Government for wages paid to local employees under the Job Support Scheme announced in the Unity Budget and Resilience Budget on 18 February 2020 and 26 March 2020 respectively. The grant income is recognised on a systematic basis over the estimated period of economic uncertainty in which the Group recognises the related salary costs. As at 31 December 2020, grant receivable of S\$24,000 is recorded under “Deferred government grant income” (Note 17) and is expected to be recognised as grant income in the financial year ended 30 June 2021.

Others income included S\$68,000 compensation from client for infringement of the Group’s intellectual property right.

## 6. OTHER LOSSES

	Six months ended 31 December	
	2020	2019
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Net exchange losses	(425)	(16)

## 7. FINANCE COSTS

	Six months ended 31 December	
	2020	2019
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	27	27
Interest expense on lease liabilities	2	1
	<u>29</u>	<u>28</u>

## 8. INCOME TAX EXPENSE

	Six months ended 31 December	
	2020	2019
	<i>S\$'000</i>	<i>S\$'000</i>
	(Unaudited)	(Unaudited)
Tax expense comprises:		
Current tax:		
— Singapore corporate income tax (“CIT”)	—	500
— Malaysia income tax	9	(2)
— China income tax	272	—
Under provision from prior years	14	5
Deferred tax	43	(12)
	<u>338</u>	<u>491</u>

Singapore CIT is calculated at 17% of the estimated assessable profit for the period.

Malaysia income tax is calculated at 24% of the estimated assessable profit for the period.

Under the law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries of the Company is 25% for the period.

The tax charge for the period can be reconciled to the profit before taxation per the unaudited condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended 31 December	
	2020	2019
	<i>S\$'000</i>	<i>S\$'000</i>
	(Unaudited)	(Unaudited)
Profit before taxation	<u>976</u>	<u>2,575</u>
Tax at Singapore CIT rate of 17%	166	438
Tax effect of income tax not taxable for tax purpose	(102)	(63)
Tax effect of different tax rate in foreign jurisdiction	91	(1)
Tax effect of expenses not deductible for tax purpose	169	112
Under provision from prior years	14	5
	<u>338</u>	<u>491</u>

## 9. (LOSS)/PROFIT FOR THE PERIOD

	Six months ended 31 December	
	2020	2019
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
(Loss)/Profit for the period has been arrived at after charging (crediting):		
Directors' emoluments:		
Fees	44	45
Salaries, allowances and other benefits	700	467
Retirement benefit scheme contributions	24	30
	<u>768</u>	<u>542</u>
Other staff costs:		
Salaries, allowances and other benefits	1,495	1,560
Retirement benefit scheme contributions	188	173
	<u>1,683</u>	<u>1,733</u>
Total staff costs	<u>2,451</u>	<u>2,275</u>
Auditors' remuneration	96	99
Minimum lease payments	5	127
Depreciation expenses:		
Investment property	32	34
Plant and equipment	57	38
Right-of-use assets	127	9
Bad debts directly written (back)/off	(2)	27
Impairment loss, net of reversal on trade receivables	257	63
Gross rental income from an investment property	—	(54)
Less: direct operating expenses incurred for investment property that generated rental income during the period	<u>32</u>	<u>34</u>
	<u>32</u>	<u>(20)</u>



## 10. DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2020 (six months ended 31 December 2019: nil).

## 11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 31 December	
	2020	2019
	(Unaudited)	(Unaudited)
Profit attributable to the owners of the Company ( <i>S\$'000</i> )	638	2,084
Weighted average number of ordinary shares in issue ( <i>'000</i> )	800,000	800,000
Basic and diluted earnings per share (Singapore cent)	<u>0.08</u>	<u>0.25</u>

Diluted earnings per share is the same as the basic earnings per share because the Company had no dilutive securities that were convertible into shares during both periods.

## 12. ACQUISITION OF SUBSIDIARY

### Business Combination

On 23 November 2020, the Company entered into an agreement with ROC Arise Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is owned as to 98% by the Guarantor (“Mu Lei” — being the ultimate beneficial owner) and as to 2% by another individual both of whom are independent third parties to acquire 60% interest in Majestic State International Limited (“MSIL”) and its wholly-owned subsidiaries (hereinafter collectively referred to as “MSIL Group”) for a cash consideration of RMB66,000,000 (approximately S\$12.64 million), thereby obtaining control of MSIL (details of which are disclosed in the announcements of the Company dated 23 November 2020 and 30 November 2020). On 6 July 2020, the Company acquired 20% shareholding at the consideration of RMB12,000,000 (approximately S\$2.29 million), (details of which are disclosed in the voluntary announcement of the Company dated 16 June 2020). In total, the Group holds 80% of the entire issued share capital of MSIL Group.

The above acquisition has been accounted for using the acquisition method of accounting.

### *Impact of acquisition on the results of the Group*

MSIL contributed S\$3.3 million revenue and S\$1.0 million to the Group’s profit for the period between the date of acquisition to the reporting date.

### 13. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2020, the Group acquired plant and equipment at a total cost of approximately S\$282,000 (six months ended 31 December 2019: S\$45,000). In addition, there was a disposal of property, plant and equipment at cost of approximately S\$3,686 during the six months ended 31 December 2020 (six months ended 31 December 2019: S\$2,300).

As at 31 December 2020, property, plant and equipment had carrying amount of approximately S\$288,000 (30 June 2020: S\$77,000).

### 14. INTANGIBLE ASSETS

	Trademark S\$'000	Software S\$'000	Total S\$'000
<b>COST</b>			
As at 30 June 2020	—	—	—
Acquisition of subsidiary	29	154	183
Disposals	—	—	—
Exchange realignment	—	—	—
	<hr/>	<hr/>	<hr/>
As at 31 December 2020	29	154	183
	<hr/>	<hr/>	<hr/>
As at 30 June 2020	—	—	—
Depreciation for the period	1	5	6
Eliminated on disposals	—	—	—
Exchange realignment	—	—	—
	<hr/>	<hr/>	<hr/>
As at 31 December 2020	1	5	6
	<hr/>	<hr/>	<hr/>
<b>CARRYING VALUES</b>			
As at 31 December 2020	28	149	177
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 15. TRADE AND OTHER RECEIVABLES

	31 December 2020 S\$'000 (Unaudited)	30 June 2020 S\$'000 (Audited)
<b>Current assets:</b>		
Trade receivables	9,366	4,613
Unbilled revenue	<u>1,243</u>	<u>2,029</u>
	10,609	6,642
Less: Allowance for doubtful debts	<u>(1,050)</u>	<u>(852)</u>
	<u>9,559</u>	<u>5,790</u>
Deposits	46	54
Prepayments	361	86
Staff loans	392	309
Government grant receivables	—	120
Other receivables ( <i>Note</i> )	<u>2,377</u>	<u>14</u>
Total	<u>12,735</u>	<u>6,373</u>
<b>Non-current assets:</b>		
Deposits	<u>8,110</u>	<u>7,692</u>
Total	<u>8,110</u>	<u>7,692</u>

The Group generally requires advance payments and deposits from customers and the average credit period on the service rendered is 7 days (2019: Nil days).

*Note:* It includes an amount of S\$2.02 million which is an advance payment to vendor for developing platform by Majestic State International Limited.

The table below is an ageing analysis of trade receivables presented based on the invoice dates as at the end of each reporting period.

	31 December 2020 S\$'000 (Unaudited)	30 June 2020 S\$'000 (Audited)
Unbilled revenue	1,220	1,994
Less than 30 days	4,943	1,125
31 to 60 days	2,414	614
61 to 90 days	123	393
Over 90 days	<u>859</u>	<u>1,664</u>
	<u>9,559</u>	<u>5,790</u>

Movement in allowance for doubtful debts:

	<b>Lifetime ECL — not credit- impaired individually assessed S\$'000</b>	<b>Lifetime ECL — Credit impaired S\$'000</b>	<b>Total S\$'000</b>
As at 1 July 2019	—	239	239
Amounts charged to profit or loss	100	580	680
Written off	—	(67)	(67)
As at 30 June 2020	100	752	852
Amounts charged to profit or loss	—	257	257
Written off	—	(59)	(59)
<b>As at 31 December 2020</b>	<b>100</b>	<b>950</b>	<b>1,050</b>

#### 16. CASH AND CASH EQUIVALENTS

	<b>31 December 2020 S\$'000 (Unaudited)</b>	<b>30 June 2020 S\$'000 (Audited)</b>
Time deposits	—	2,277
Cash at bank and on hand	<b>11,169</b>	<b>16,848</b>
	<b>11,169</b>	<b>19,125</b>

#### 17. TRADE AND OTHER PAYABLES

	<b>31 December 2020 S\$'000 (Unaudited)</b>	<b>30 June 2020 S\$'000 (Audited)</b>
Trade payables	<b>3,809</b>	1,986
Accrued expenses	<b>1,925</b>	326
Deposits received	<b>250</b>	250
Goods and services tax payables	<b>359</b>	280
Deferred government grant income ( <i>Note 5</i> )	<b>24</b>	179
Other payables	<b>4,464</b>	92
	<b>10,831</b>	<b>3,113</b>

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

	<b>31 December 2020 S\$'000 (Unaudited)</b>	<b>30 June 2020 S\$'000 (Audited)</b>
1 to 30 days	<b>2,594</b>	1,021
31 to 60 days	<b>1,215</b>	954
61 to 90 days	—	5
91 to 120 days	—	6
	<b><u>3,809</u></b>	<b><u>1,986</u></b>

## 18. CONTRACT LIABILITIES

The contract liabilities primarily relate to the Group's obligation to transfer services to customers for which the Group has received consideration from the customers.

The movements in contract liabilities are as follows:

	<b>31 December 2020 S\$'000 (Unaudited)</b>	<b>30 June 2020 S\$'000 (Audited)</b>
At the beginning of the period/year	<b>2,839</b>	3,083
Receipt from customers upon entering sales contracts during the period/year	<b>12,311</b>	20,016
Revenue recognised that was included in the contract liabilities balance at the beginning of the period/year	<b>(2,839)</b>	(3,083)
Revenue recognised during the period/year that was related to receipt from customers in the same period/year	<b><u>(7,449)</u></b>	<b><u>(17,177)</u></b>
At the end of the period/year	<b><u>4,862</u></b>	<b><u>2,839</u></b>

## 19. LEASE LIABILITIES

	31 December 2020 S\$'000 (Unaudited)	30 June 2020 S\$'000 (Audited)
Maturity analysis:		
— Within one year	161	247
— Later than one year but not later than five years	68	—
	229	247
Less: Unearned interest	(4)	(3)
	225	244
	31 December 2020 S\$'000 (Unaudited)	30 June 2020 S\$'000 (Audited)
Analysed as:		
— Current	158	244
— Non-current	67	—

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

## 20. BANK BORROWINGS

	31 December 2020 S\$'000 (Unaudited)	30 June 2020 S\$'000 (Audited)
Secured mortgage loans	2,053	2,114

*Note:* The bank borrowings are guaranteed by the Controlling Shareholders and secured by the investment property of the Group. The personal guarantee given by the Controlling Shareholders has been released on 11 March 2020 and replaced by a corporate guarantee given by the Company.

The range of effective interest rates of the Group's bank borrowings was at 1.38%–1.98% for six months ended 31 December 2020 (2.48%–2.78% for the year ended 30 June 2020).

## 21. SHARE CAPITAL

The authorised and issued share capital of the Company are as follows:

	Number of shares	Par value HK\$	Share capital HK\$'000
Authorised share capital of the Company:			
At date of incorporation on 7 December 2017 and 30 June 2018	38,000,000	0.01	380
Increase on 3 June 2019 <sup>(ii)</sup>	<u>9,962,000,000</u>	<u>0.01</u>	<u>99,620</u>
At 30 June 2019, 31 December 2019 and 31 December 2020	<u>10,000,000,000</u>	<u>0.01</u>	<u>100,000</u>
		Number of shares	Share capital S\$'000
Issued and fully paid share capital of the Company:			
At date of incorporation on 7 December 2017 <sup>(i)</sup>		1	—
Issue of shares pursuant to reorganisation <sup>(iii)</sup>		99	—
Issue of shares pursuant to capitalisation issue <sup>(iv)</sup>		599,999,900	1,042
Issue of shares under the share offer <sup>(v)</sup>		<u>200,000,000</u>	<u>347</u>
At 31 December 2020 and 30 June 2020		<u>800,000,000</u>	<u>1,389</u>

- (i) On 7 December 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the date of incorporation, one nil-paid share was allocated and issued to the initial subscriber, an independent third party. On the same date, the share was transferred to Aactiva Media Investment Limited (“Aactiva Media Investment”).
- (ii) On 3 June 2019, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$100,000,000 divided into 10,000,000,000 shares by the creation of an additional 9,962,000,000 shares which rank pari passu in all respects with existing shares.
- (iii) On 3 June 2019, Ms. Teo, Mr. Teo, Aactiva Media Investment and the Company entered into a sale and purchase agreement, pursuant to which Aactiva Media Investment transferred its entire shareholdings in Aactiva Media Holdings Limited to the Company in consideration of the Company allotting and issuing 99 shares to Aactiva Media Investment, credited as fully paid.
- (iv) On 26 June 2019, HK\$5,999,999 standing to the credit of the share premium account of the Company was capitalised by applying such sum in paying up in full at par 599,999,900 shares for allotment and issue to the shareholders in proportion to their then shareholdings in the Company so that the shares allotted and issued shall rank pari passu in all respects with the then existing issued shares. This transaction is a non-cash transaction.

- (v) On 26 June 2019, the Company's total number of ordinary shares, which are issued and fully paid, increased to 800,000,000 by the Company issuing 200,000,000 new shares from a share offer. The 200,000,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$0.65 per share for a total consideration of HK\$130,000,000 (equivalent to approximately S\$22,221,000) with listing expenses of approximately HK\$15,158,000 (equivalent to approximately S\$2,591,000) charged to the share premium account of the Company. On the same date, the issued shares were successfully listed on the Main Board of the Stock Exchange.

## **22. SHARE PREMIUM**

Share premium represents the excess of share issue price over the par value set off against the effect of share issuance expenses under share offer.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW AND PROSPECTS**

The Group operates within the online marketing sphere and provides an integrated suite of services: search engine marketing services, social media marketing services, creative and technology services, technical and platform services as well as marketing services. This allows businesses of the Group to reach a diverse, large and targeted pool of audiences across multiple platforms in the most effective way possible.

With Singapore well on its way to becoming a Smart Nation (a Singapore Government initiative to maximise the use of infocomm technology, with the aim of creating more socioeconomic opportunities), the Group believes that its services in helping businesses transition and thrive online will be in strong demand in the long run.

However, with the global pandemic (COVID-19) still ongoing, the Group — like many others — has been significantly affected. COVID-19 has forced many countries into various levels of lockdowns and movement restrictions, hindering business travel, sales meetings and marketing events from being carried out as per normal. It has also dampened the demand for commercial services as businesses tighten their purse strings. While this has impacted the Group's immediate profitability, the Group has also earnestly looked into ways it can mitigate the impact resulting from COVID-19.

To that end, the Group has recently completed its acquisition of Majestic State International Limited and its subsidiaries, which principally engaged in business in the PRC. With the Company's listing status on the Stock Exchange, the Group has been able to increase its exposure within the PRC market and better collaborate with PRC-based digital platforms. The Group believes that this acquisition represents a good opportunity for the Group to enter the booming e-commerce industry in the PRC, diversify its operations and expand its client base.

For the six months ended 31 December 2020, the Group reported an increase in revenue as compared to the corresponding period in 2019, standing at approximately S\$14.5 million as compared to approximately S\$13.8 million for the corresponding period in 2019. This represents a 5% increase in revenue. This increase was in good part due to the acquisition of Majestic State International Limited, which contributed approximately S\$3.3 million of revenue for the Reporting Period.

At the same time, however, the revenue increase was not able to offset the losses incurred by the Group's search engine marketing services and creative and technology services segments. As a result, overall gross profit for the six months ended 31 December 2020 stood at approximately S\$4.2 million, as compared to the corresponding period in 2019 which stood at approximately S\$5.2 million, representing a decrease of 19%.

The Group remains optimistic that the situation will start picking up soon, as Singapore and many other countries kickstart their mass vaccination campaigns to curb the transmission of COVID-19. This will give a boost of confidence to the business climate as well as a reduction of social and travel restrictions, allowing the Group and its clients (being businesses themselves) to gradually resume normal operations.

At the same time, the Group will continue to closely assess the situation and identify ways to further manage its costs and expenses, increase its revenue and client base, as well as diversify its operations. The Group will further update its shareholders and investors in a timely manner should there be any material changes to the Group's business performance.

## FINANCIAL REVIEW

### Revenue

We derived our revenue from online marketing services consisting of: (i) search engine marketing services; (ii) creative and technology services; (iii) social media marketing services; (iv) technical and platform services; and (v) marketing services.

The following table sets forth the revenue breakdown by the five segments of the revenue for the six months end indicated:

	For the six months ended 31 December					
	2020		2019		Variance	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Search engine marketing services	<b>9,008</b>	<b>62.2</b>	10,719	77.6	(1,711)	-16.0
Creative and technology services	<b>1,280</b>	<b>8.8</b>	2,473	17.9	(1,193)	-48.2
Social media marketing services	<b>840</b>	<b>5.8</b>	621	4.5	219	+35.3
Technical and platform services	<b>2,957</b>	<b>20.4</b>	—	—	2,957	N/A
Marketing services	<b>390</b>	<b>2.8</b>	—	—	390	N/A
	<b><u>14,475</u></b>	<b><u>100.0</u></b>	<b><u>13,813</u></b>	<b><u>100.0</u></b>	<b><u>662</u></b>	<b><u>+4.8</u></b>

Overall, the total revenue of the Group increased by around 4.8% from approximately S\$13.8 million for the six months ended 31 December 2019 to approximately S\$14.5 million for the Reporting Period. Such increase was driven by the revenue from technical and platform services and marketing services from the MSIL Group of approximately S\$3.3 million for the Reporting Period.

Revenue from search engine marketing services and creative and technology services decreased by approximately 16.0% and 48.2% respectively, mainly caused by the outbreak of COVID-19 in Singapore and Malaysia as customers cut down on advertising spending due to the slowing economy.

The increase of revenue from social media marketing services evidencing that there is a change of clients' preferences on advertising on Facebook from contents to advertising spend help to ease some loss of revenue generated from search engine marketing services and creative and technology services.

#### **Cost of services**

Our cost of services increased from approximately S\$8.6 million for the six months ended 31 December 2019 to approximately S\$10.3 million for the six months ended 31 December 2020. The increase was due to including the cost of services from MSIL Group of approximately S\$1.7 million for the Reporting Period.

#### **Other income**

Other income consisted of (i) government grants of approximately S\$269,000 relating to grant provided by Singapore Government for wages paid to local employees under the Job Support Scheme that provides wage support to employers to help them retain their local employees (Singapore citizens and permanent residents) during this period of economic uncertainty due to the COVID-19 pandemic situation; (ii) interest income from time deposits; and (iii) other income which was the compensation from client for infringement of the Group's intellectual property right.

#### **Other losses**

Our other losses consisted of net exchange gains or losses arising from (i) our subsidiary in Malaysia and (ii) the net proceeds received from the share offer, which were denominated in Hong Kong dollars. The fluctuations of our other gains or losses were primarily arise from movements in Hong Kong dollars and Singapore dollars exchange rates. During the Reporting Period, the Group did not experience any significant difficulty or impact on its operations or liquidity due to fluctuations in currency exchange rates. The management will continue to monitor the foreign exchange exposure and take prudent measures to reduce foreign exchange risks.

## **Selling expenses**

The Group's selling expenses increased by around 32.3% from approximately S\$592,000 for the six months ended 31 December 2019 to approximately S\$783,000 for the Reporting Period. The selling expenses mainly consisted of sales staff costs, sales commission and marketing-related expenses. The increase in selling expenses for the Reporting Period was mainly due to the increase in marketing-related expenses.

## **General and administrative expenses**

Our general and administrative expenses primarily consisted of staff costs, depreciation, rental expenses, entertainment expenses, office expenses and travelling expenses. Our general and administrative expenses increased from approximately S\$2.1 million for the six months ended 31 December 2019 to approximately S\$3.1 million for the six months ended 31 December 2020.

The increase in general and administrative expenses was mainly due to increase in allowance for doubtful debts as well as higher professional fees incurred during the acquisition of MSIL. The increase was primarily due to (i) the increase in professional fees of approximately S\$0.3 million due to payments made to professional parties during the acquisition of subsidiaries; (ii) increase in allowance for doubtful debts of approximately S\$0.2 million; (iii) included the operating costs of MSIL of approximately S\$0.3 million; and (iv) increase in depreciation on right-of-use assets of approximately S\$0.1 million.

## **Finance costs**

Finance costs had maintained stable, which amounted to approximately S\$29,000 for the Reporting Period (2019: S\$28,000). This item mainly comprised interest expenses on bank borrowings.

## **Income tax expense**

Our income tax expense primarily consisted of provision for Singapore, Malaysia and China current income tax expense. The Group's income tax expense decreased from approximately S\$491,000 for the six months ended 31 December 2019 to approximately S\$338,000 for the six months ended 31 December 2020. Such decrease was mainly attributable to decrease in taxable profits of the Group.

## **Profit for the period**

Profit for the period decreased from approximately S\$2.1 million for the six months ended 31 December 2019 to profit for the period of approximately S\$0.9 million for the six months ended 31 December 2020. The decrease in profit was mainly due to an increase in general and administrative expenses, decrease in revenue from search engine marketing services and creative and technology services mentioned above.

## **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the Reporting Period (six months ended 31 December 2019: nil).

## **FINANCIAL POSITIONS**

As at 31 December 2020, our total equity was approximately S\$28.9 million as compared to approximately S\$27.1 million as at 30 June 2020. The increase was mainly attributable to the acquisition of subsidiaries, MSIL Group and the goodwill arising from the acquisition.

As at 31 December 2020, our net current assets were approximately S\$7.5 million as compared to approximately S\$18.3 million as at 30 June 2020. The decrease was mainly due to the S\$14.9 million payment made for the acquisition of MSIL during the six months ended 31 December 2020.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Borrowings**

Our bank borrowings of approximately S\$2.1 million as at 31 December 2020 were secured against investment property with carrying amount of approximately S\$2.7 million as at 31 December 2020.

### **Material acquisition and disposal of subsidiaries, associates and joint ventures**

During the Reporting Period, the Company has acquired a group of subsidiaries — MSIL Group through VIE structure (details of which are disclosed in the announcement of the Company dated 23 November 2020 and 30 November 2020). Save as disclosed above, the Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures during the Reporting Period.

## **Future plans for material investments or capital assets and the expected sources of funding**

Save for the business plan disclosed in the prospectus of the Company dated 13 June 2019 (the “Prospectus”) and the paragraph headed “Use of Net Proceeds from Listing” in this announcement, there was no other plan for material investments or capital assets as at 31 December 2020.

## **Gearing ratio**

The gearing ratio of the Group as at 31 December 2020 was approximately 7.3% (30 June 2020: 7.8%). The gearing ratio is calculated as total interest-bearing liabilities divided by total equity as at the respective period end. The decrease was mainly due to the increase in the Group’s equity arising from increase in retained earnings while the Group’s total interest-bearing liabilities remained relatively stable.

## **Foreign exchange exposure**

The main operations of the Group are in Singapore and Malaysia and most of the Group’s transactions and cash and cash equivalents are denominated in S\$ and Malaysia Ringgit. The Group retains the net proceeds from the share offer in Hong Kong dollars that are exposed to fluctuations in foreign exchange risks. Currently, the Group does not have any foreign currency hedging policy, but the Group’s management continuously monitors its foreign exchange exposure.

## **Contingent liabilities and guarantees**

As at 31 December 2020, we did not have any unrecorded significant contingent liabilities, guarantees or any litigations against us.

## **SIGNIFICANT EVENT AFTER THE REPORTING PERIOD**

Mr. Mu Lei (“Mr. Mu”) was appointed as an executive Director with effect from 29 January 2021. As disclosed in the announcement of the Company dated 29 January 2021, Mr. Mu was the majority ultimate beneficial owner of ROC Arise Holdings Limited (“ROC”) and the majority legal owner of Show Times (Chongqing) Technology Co. Ltd. Pursuant to a conditional sale and purchase agreement dated 23 November 2020 entered into between the Company, ROC and Mr. Mu in relation to the acquisition of the majority stake of MSIL, a profit guarantee had been provided by ROC (which was in turn personally guaranteed by Mr. Mu). Mr. Mu is a director of MSIL and has become a connected person of the Company at subsidiary level since 30 November 2020 and is a connected person of the Company upon his appointment as an executive Director, and accordingly, the guarantees provided by Mr. Mu and ROC are subject to the requirements of annual review and disclosure (including publishing announcement and annual reporting) under Chapter 14A pursuant to Rule 14A.60(1) of the Listing Rules.

## USE OF NET PROCEEDS FROM LISTING

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 26 June 2019 (the “Listing”). The net proceeds from the Listing (the “Net Proceeds”) were approximately HK\$92 million. The Board, after considering the business operating environment and the development of the Group, has resolved to change the use of the unutilised Net Proceeds as set out in the announcement of the Company dated 29 October 2020 (the “Announcement”). Please refer to the Announcement for details of the change in use of the unutilised Net Proceeds. The table below sets forth the breakdown of the intended use and the timeline for utilisation of the Net Proceeds as at 31 December 2020:

	Intended use of Net Proceeds from the share offer (per Prospectus) HK\$ million		Revised allocation of Net Proceeds (as disclosed in the Announcement) HK\$ million		Amount utilised as at 30 June 2020 HK\$ million	Amount utilised during the Reporting Period HK\$ million	Remaining balance as at 31 December 2020 HK\$ million	Expected timeline to use unutilised Net Proceeds
	Approximate percentage of Net Proceeds %		Approximate percentage of Net Proceeds %					
Strengthening the technological infrastructure	58.2	63.3	58.2	63.3	40.65	—	17.55	Q4 2019 <i>Note</i>
Acquisition of a website development and hosting company	26.2	28.5	—	—	—	—	—	—
Establishment of a sales office in Johor Bahru, Malaysia	5.3	5.7	—	—	—	—	—	—
Working Capital	2.3	2.5	2.3	2.5	—	2.3	—	—
Acquisition of additional interest in an associated company	—	—	31.5	34.2	—	31.5	—	—
Total	92.0	100.0	92.0	100.0	40.65	33.8	17.55	

*Note:* The deployment of the Net Proceeds for strengthening technological infrastructure is divided into phases and the initial deployment was made in Q4 2019, as detailed in the Prospectus. It is expected that the development of (i) Platform A would be completed in Q1 2022; and (ii) Platform B would be completed in Q2 2023. The deployment of Net Proceeds for Platform C is expected to be in Q2 2021.



## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2020, the Group had 136 (30 June 2020: 73) employees and our employee remuneration for the Reporting Period totalled approximately S\$2.5 million (including salary, bonus, and other employee benefits). The amount was approximately S\$5.2 million for the year ended 30 June 2020. The remuneration of our employees is determined based on their performance, experience, competence and market comparable. Their remuneration package includes salaries, bonus related to our performance, allowances and retirement benefit schemes for employees in Singapore, Malaysia and China. The Group also provides customised training to its staff to enhance their technical and product knowledge.

The remuneration of Directors and members of senior management is determined on the basis of each individual's responsibilities, qualification, position, experience, performance, seniority and time devoted to our business. They receive compensation in the form of salaries, bonuses, and other allowances and benefits-in-kind, including the Company's contribution to their retirement benefit schemes on their behalf.

Furthermore, the Company has adopted a share option scheme (the "Scheme") for the purpose of providing incentives or rewards to eligible persons for their contributions to the Group. As no share option has been granted by the Company under the Scheme since the Listing, there was no share option outstanding as at 31 December 2020 and no share option was exercised or cancelled or lapsed during the Reporting Period.

## **OTHER INFORMATION**

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

During the Reporting Period, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell such securities.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Group is committed to implementing high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "Shareholders") and enhance the corporate value as well as the responsibility commitments. The Company has adopted the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "CG Code") as its own code of corporate governance and complied with all applicable code provisions of the CG Code during the Reporting Period except disclosed as follows:



Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Teo Li Lian (“Ms. Teo”) currently holds both positions. Throughout the Group’s history, Ms. Teo has held key leadership position of the Group and has been responsible for overall strategic planning, sales and marketing, management and operation of the Group. In order to achieve effective strategic planning and to monitor the implementation of such plans, the Board (including the independent non-executive Directors (the “INEDs”)) considers that Ms. Teo is the best candidate for both positions and the present arrangements are beneficial to and in the interests of the Group and the Shareholders as a whole.

The Board will continue to review and monitor the corporate governance practices of the Company for the purpose of complying with the code provisions of the CG Code and maintaining a high standard of corporate governance of the Company.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct governing the securities transactions by the Directors. Following a specific enquiry made by the Company on each of the current Directors (who also served in such capacity during the Reporting Period), all Directors have confirmed that they had complied with the Model Code during the Reporting Period.

### **AUDIT COMMITTEE**

The Company has established the audit committee (the “Audit Committee”) with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of three INEDs, namely Mr. Chung Kwok Hoe, Mr. Lee Shy Tsong and Ms. Zhang Hong. Mr. Chung Kwok Hoe is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review the financial information of the Group, oversee the Group’s financial report system, risk management and internal control systems, provide advice and comments to the Board, and monitor the independence and objectivity of the external auditor.

### **REVIEW OF INTERIM RESULTS**

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 31 December 2020, including the applicable accounting policies and accounting standards adopted by the Group, and considers that such statements have been prepared in compliance with the applicable Listing Rules.

## **APPRECIATION**

On behalf of the Board, I would like to extend our sincere thanks to our Shareholders, business partners and customers for their continuous support to the Group. I would also extend my gratitude and appreciation to all my fellow Directors, the management and staff for their hard work and dedication throughout the Reporting Period.

## **PUBLICATION OF 2021 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

The interim report of the Company for the six months ended 31 December 2020 will be despatched to the Shareholders and will be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of the Company ([www.amgroupholdings.com](http://www.amgroupholdings.com)) in due course in the manner as required by the Listing Rules.

By order of the Board  
**AM Group Holdings Limited**  
**Teo Li Lian**

*Chairlady, Executive Director and Chief Executive Officer*

Hong Kong, 26 February 2021

*As at the date of this announcement, the Board comprises three executive Directors, namely Ms. Teo Li Lian (Chairlady and Chief Executive Officer), Mr. Teo Kuo Liang and Mr. Mu Lei; and three independent non-executive Directors, namely Mr. Chung Kwok Hoe, Mr. Lee Shy Tsong and Ms. Zhang Hong.*