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AM GROUP HOLDINGS LIMITED

秀商時代控股有限公司

(Formerly known as AM Group Holdings Limited 創世紀集團控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1849)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2020

AND

RETIREMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHANGE IN COMPOSITION OF BOARD COMMITTEES

FINANCIAL HIGHLIGHTS

Revenue

Total revenue decreased by approximately 14.3% from approximately S\$28.9 million for the year ended 30 June 2019 to approximately S\$24.7 million for the year ended 30 June 2020. It was mainly driven by a 18.1% decrease in revenue generated from search engine marketing services, from approximately S\$23.4 million for the year ended 30 June 2019 to approximately S\$19.2 million for the year ended 30 June 2020.

Gross profit margin

Total gross profit margin decreased slightly by approximately 2.6% from approximately 37.7% for the year ended 30 June 2019 to approximately 35.1% for the year ended 30 June 2020, mainly because of the decrease in gross profit margin generated from search engine marketing services of approximately 4.2% from approximately 28.6% for the year ended 30 June 2019 to approximately 24.4% for the year ended 30 June 2020 and the creative and technology services remaining to contribute the highest gross profit margin of 84.3% for the Year (FY2019: 85.1%).

Profit for the year attributable to owners of the Company

The Group recorded a decrease in profit attributable to owners of the Company to approximately S\$2.5 million for the year ended 30 June 2020 from approximately S\$2.7 million for the year ended 30 June 2019.

Final dividend

The Board does not recommend the payment of final dividend for the year ended 30 June 2020 (FY2019: nil).

ANNUAL RESULTS

The board of directors of AM Group Holdings Limited (the “Company”, the “Directors” and the “Board”, respectively) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, “we”, “us”, “our” or the “Group”) for the year ended 30 June 2020 (“FY2020” or the “Year”) (the “Annual Results”) together with the comparative information for the year ended 30 June 2019 (“FY2019”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

| | Notes | Year ended 30 June | |
|--|-------|---------------------|-----------------|
| | | 2020 S\$'000 | 2019 S\$'000 |
| Revenue | 6 | 24,742 | 28,885 |
| Cost of services | | <u>(16,050)</u> | <u>(18,007)</u> |
| Gross profit | | 8,692 | 10,878 |
| Other income | 7 | 647 | 215 |
| Other gains or losses | 8 | 623 | (25) |
| Selling expenses | | (1,091) | (1,077) |
| General and administrative expenses | | (5,527) | (3,068) |
| Listing expenses | | — | (2,982) |
| Finance costs | 9 | <u>(66)</u> | <u>(49)</u> |
| Profit before taxation | | 3,278 | 3,892 |
| Income tax expense | 10 | <u>(797)</u> | <u>(1,197)</u> |
| Profit for the year | 11 | 2,481 | 2,695 |
| Other comprehensive income: | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation of a foreign operation | | <u>*</u> | <u>(9)</u> |
| Total comprehensive income for the year | | <u>2,481</u> | <u>2,686</u> |
| Earnings per share (in Singapore cents) | | | |
| Basic and diluted | 15 | <u>0.3</u> | <u>0.4</u> |

* Amount less than S\$1,000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

| | <i>Notes</i> | 2020 <i>S\$'000</i> | 2019 <i>S\$'000</i> |
|---|--------------|-------------------------------|------------------------|
| Non-current assets | | | |
| Plant and equipment | <i>16</i> | 77 | 89 |
| Right-of-use assets | <i>17</i> | 242 | — |
| Investment property | <i>18</i> | 2,750 | 3,063 |
| Deferred tax assets | <i>19</i> | 44 | 32 |
| Trade and other receivables | <i>20</i> | 7,692 | 493 |
| | | <u>10,805</u> | <u>3,677</u> |
| Current assets | | | |
| Trade and other receivables | <i>20</i> | 6,373 | 24,133 |
| Bank balances and cash | <i>21</i> | 19,125 | 9,788 |
| | | <u>25,498</u> | <u>33,921</u> |
| Current liabilities | | | |
| Trade and other payables | <i>22</i> | 3,113 | 6,448 |
| Contract liabilities | <i>23</i> | 2,839 | 3,083 |
| Lease liabilities | <i>24</i> | 244 | — |
| Bank borrowings | <i>25</i> | 107 | 122 |
| Income tax payable | | 908 | 1,229 |
| | | <u>7,211</u> | <u>10,882</u> |
| Net current assets | | <u>18,287</u> | 23,039 |
| Total assets less current liabilities | | <u>29,092</u> | <u>26,716</u> |
| Non-current liability | | | |
| Bank borrowings | <i>25</i> | 2,007 | 2,112 |
| Net assets | | <u>27,085</u> | <u>24,604</u> |
| Capital and reserves | | | |
| Share capital | <i>26</i> | 1,389 | 1,389 |
| Share premium | <i>27</i> | 19,366 | 19,366 |
| Reserves | | 6,330 | 3,849 |
| Equity attributable to owners of the Company | | <u>27,085</u> | <u>24,604</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 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> | Total equity <i>S\$'000</i> |
|--|------------------------------------|------------------------------------|-------------------------------------|--|--|-----------------------------------|
| Balance as at 1 July 2018 | — | — | 220 | 101 | 842 | 1,163 |
| Profit for the year | — | — | — | — | 2,695 | 2,695 |
| Other comprehensive income for the year: | | | | | | |
| Exchange differences on translation of a foreign operation | — | — | — | (9) | — | (9) |
| Total comprehensive income | — | — | — | (9) | 2,695 | 2,686 |
| Effect of issuance of shares under the capitalisation issue (<i>Note 26</i>) | 1,042 | (1,042) | — | — | — | — |
| Effect of issuance of shares under share offer (<i>Note 26</i>) | 347 | 22,220 | — | — | — | 22,567 |
| Effect of share issuance expenses under share offer | — | (1,812) | — | — | — | (1,812) |
| Total | 1,389 | 19,366 | — | — | — | 20,755 |
| Balance as at 30 June 2019 | <u>1,389</u> | <u>19,366</u> | <u>220</u> | <u>92</u> | <u>3,537</u> | <u>24,604</u> |
| Balance as at 1 July 2019 | 1,389 | 19,366 | 220 | 92 | 3,537 | 24,604 |
| Profit for the year | — | — | — | — | 2,481 | 2,481 |
| Other comprehensive income for the year: | | | | | | |
| Exchange differences on translation of a foreign operation | — | — | — | * | — | * |
| Total comprehensive income | — | — | — | * | 2,481 | 2,481 |
| Balance as at 30 June 2020 | <u>1,389</u> | <u>19,366</u> | <u>220</u> | <u>92</u> | <u>6,018</u> | <u>27,085</u> |

* Amount less than S\$1,000

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

| | Year ended 30 June | |
|--|--------------------|--------------|
| | 2020 | 2019 |
| | S\$'000 | S\$'000 |
| Operating activities | | |
| Profit before taxation | 3,278 | 3,892 |
| Adjustments for: | | |
| Depreciation of plant and equipment | 79 | 57 |
| Depreciation of investment property | 68 | 68 |
| Depreciation of right-of-use assets | 259 | — |
| Finance costs | 66 | 49 |
| Bad debts directly written off | 108 | 62 |
| Impairment loss, net of reversal on trade receivables | 680 | 148 |
| Impairment loss on investment property | 245 | — |
| Plant and equipment written off | 4 | — |
| Termination of lease of right-of-use assets | 10 | — |
| Reversal of lease liabilities | (11) | — |
| Interest income from fixed deposits | (146) | — |
| Exchange difference | (29) | (6) |
| | <hr/> | <hr/> |
| Operating cash flows before movements in working capital | 4,611 | 4,270 |
| Movements in working capital: | | |
| Increase in trade and other receivables | (279) | (981) |
| (Decrease)/Increase in trade and other payables | (3,335) | 1,491 |
| Decrease in contract liabilities | (244) | (338) |
| | <hr/> | <hr/> |
| Cash generated from operations | 753 | 4,442 |
| Interest paid on lease liabilities | (8) | — |
| Income tax paid | (1,130) | (1,681) |
| | <hr/> | <hr/> |
| Net cash (used in)/from operating activities | (385) | 2,761 |

| | Year ended 30 June | |
|--|---------------------------|---------------------|
| | 2020 | 2019 |
| | S\$'000 | S\$'000 |
| Investing activities | | |
| Purchase of plant and equipment | (73) | (16) |
| Deposits paid for development of technological infrastructure | (7,199) | (493) |
| Proceeds from disposal of plant and equipment | 2 | — |
| Interest received from fixed deposits | 146 | — |
| | <u> </u> | <u> </u> |
| Net cash used in investing activities | (7,124) | (509) |
| | <u> </u> | <u> </u> |
| Financing activities | | |
| Repayment of bank borrowings | (120) | (120) |
| Interest paid | (58) | (49) |
| Repayment of lease liabilities | (256) | — |
| Proceeds from issuance of shares under share offer (<i>Note 1</i>) | 17,251 | 5,316 |
| Transaction cost directly attributable to issuance of shares (<i>Note 2</i>) | — | (1,332) |
| | <u> </u> | <u> </u> |
| Net cash from financing activities | 16,817 | 3,815 |
| | <u> </u> | <u> </u> |
| Net increase in cash and cash equivalents | 9,308 | 6,067 |
| Cash and cash equivalents at beginning of the year | 9,788 | 3,724 |
| Effect of foreign exchange rate changes | 29 | (3) |
| | <u> </u> | <u> </u> |
| Cash and cash equivalents at end of the year | <u>19,125</u> | <u>9,788</u> |

Note 1: The total proceeds from issuance of shares amounted to S\$22,567,000, out of which S\$5,316,000 was received in the previous year and the balance of S\$17,251,000 was received in the current year.

Note 2: In the previous year, the movement in the deferred share issue costs of S\$480,000 was set off against the share premium recognised upon the completion of the share offer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated and registered as an exempted company in 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. Principal place of business is at 60 Paya Lebar Road, #12-51/52 Paya Lebar Square, Singapore 409051. The shares of the Company (the “Shares”) have been listed on the Main Board of the Stock Exchange since 26 June 2019 (the “Listing”).

The Company is an investment holding company and its major operating subsidiary, Activa Media (S) is principally engaged in the provision of online marketing services.

The consolidated financial statements of the Group (the “Consolidated Financial Statements”) are presented in Singapore dollars (“S\$”) which is also the functional currency of the Company.

2. REORGANISATION AND BASIS OF PREPARATION

The Consolidated 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 Consolidated Financial Statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

In connection with the Listing, the Company underwent a reorganisation as set out in the section headed “History, Reorganisation and Group structure” to the Prospectus (the “Reorganisation”), which was completed on 3 June 2019, and the Company became the holding company of its subsidiaries now comprising the Group.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Consolidated Financial Statements have been prepared to include the financial statements of the companies now comprising the Group as if the Group structure upon the completion of the Reorganisation had been in existence throughout the period, or since their respective dates of incorporation or establishment where this is a shorter period.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

New and amendments to IFRSs that are mandatorily effective for the current year

As at the date of this announcement, the Group has applied the following new and amendments to IFRSs that have been issued for the first time in current year:

| | |
|----------------------|--|
| IFRS 16 | <i>Leases</i> |
| IFRIC 23 | <i>Uncertainty over Income Tax Treatments</i> |
| Amendments to IFRS 9 | <i>Prepayment Features with Negative Compensation</i> |
| Amendments to IAS 19 | <i>Plan Amendment, Curtailment or Settlement</i> |
| Amendments to IAS 28 | <i>Long-term Interests in Associates and Joint Ventures</i> |
| Amendments to IFRSs | <i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i> |

The application of the new and amendments to IFRSs and Interpretations in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements, except as noted below:

IFRS 16 Leases

In the current year, the Group has applied IFRS 16 *Leases* (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements and the impact of the adoption of IFRS 16 on the Consolidated Financial Statements are described below.

The date of initial application of IFRS 16 for the Group is 1 July 2019.

The Group has applied IFRS 16 using the cumulative catch-up approach which:

- requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application; and
- does not permit restatement of comparatives, which continue to be presented under IAS 17.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a Lease* will continue to be applied to those leases entered or changed before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meets the definition of a lease for the Group.

(b) Impact on lessee accounting

Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases, the Group:

- a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
- b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17:

- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(c) Impact on lessor accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosure required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

(d) Financial impact of initial application of IFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 July 2019 is 3.25% per annum.

The following table shows the operating lease commitments disclosed applying IAS 17 as at 30 June 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

| | <u>2020</u> <u>S\$'000</u> |
|---|-------------------------------|
| Operating lease commitments as at 30 June 2019 | 29 |
| Less: Effect of discounting the above amounts | (1) |
| Add: Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments | <u>483</u> |
| Lease liabilities recognised as at 1 July 2019 | <u><u>511</u></u> |

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. Consequently, right-of-use assets of S\$511,000 were recognised on 1 July 2019.

New and amendments to IFRSs in issue but not yet effective

As at the date of this announcement, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

| | |
|--|---|
| IFRS 17 | <i>Insurance Contracts and the related Amendments</i> ¹ |
| Amendments to IFRS 16 | <i>Covid-19-Related Rent Concessions</i> ⁶ |
| Amendments to IFRS 3 | <i>Definition of a Business</i> ² |
| Amendments to IFRS 3 | <i>Reference to the Conceptual Framework</i> ⁵ |
| Amendments to IFRS 10 and IAS 28 | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³ |
| Amendments to IAS 1 | <i>Classification of Liabilities as Current or Non-current</i> ¹ |
| Amendments to IAS 1 and IAS 8 | <i>Definition of Material</i> ⁴ |
| Amendments to IAS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use</i> ⁵ |
| Amendments to IAS 37 | <i>Onerous Contracts — Cost of Fulfilling a Contract</i> ⁵ |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | <i>Interest Rate Benchmark Reform</i> ⁴ |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | <i>Interest Rate Benchmark Reform — Phase 2</i> ⁷ |
| Amendments to IFRS Standards | <i>Annual Improvements to IFRS Standards 2018–2020</i> ⁵ |

1. Effective for annual periods beginning on or after 1 January 2023.

2. Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3. Effective for annual periods beginning on or after a date to be determined.
4. Effective for annual periods beginning on or after 1 January 2020.
5. Effective for annual periods beginning on or after 1 January 2022.
6. Effective for annual periods beginning on or after 1 June 2020.
7. Effective for annual periods beginning on or after 1 January 2021.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods during their initial adoption.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains controls until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Merger accounting for business combination involving entities under common control

The Consolidated Financial Statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's indefinable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses, from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is earlier.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the Group performs; or
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Revenue from search engine marketing services and social media marketing services to customers are recognised as a performance obligation satisfied over time. 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 search engine marketing services and social media marketing services is generally within 1 year. Revenue recognised from these services are based on a fixed fee.

Revenue from creative and technology services are recognised at a point in time when the websites or advertisements are available for the customers, because the Group has determined that control of the performance obligation has transferred to the customers (i.e. service performed) as the Group has the right to payment for its service and the customers have accepted its services. Revenues recognised from creative and technology services are based on a fixed fee.

Rental income is recognised, on a straight-line basis, over the terms of the respective leases.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Leases

The Group has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from 1 July 2019

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the “Impairment of tangible assets”.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment property.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Policies applicable prior to 1 July 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as lessor

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the related lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

Foreign currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Consolidated Financial Statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Singapore dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a separate component of equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to the Central Provident Fund (“CPF”) in Singapore and Employees Provident Fund (“EPF”) in Malaysia are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from ‘profit before taxation’ as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed as at the end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment property

Investment property is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment property is measured initially at cost, including directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

Depreciation is recognised so as to write off the cost of investment property less residual value over their estimated useful life, using the straight-line method. The estimated useful life, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Impairment of tangible assets

At the end of reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are measured subsequently at FVTPL.

Financial assets at amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (“ECL”), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Interest income is recognised in profit or loss using the effective interest method and is included in the “other income” of the consolidated statement of profit or loss and other comprehensive income.

Impairment of financial assets

Impairment of financial assets under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

The Group always recognises lifetime ECL for trade receivables and measures the lifetime ECL for portfolios of trade receivables that share similar economic risk characteristics. The ECL on these financial assets are estimated using an analysis of assets by risk level of customers and apply a probability-weighted estimate of the credit losses within the relevant risk type. The probability-weighted estimate of the credit losses is determined based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate, obtained from financial analysts and governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread or the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default (i.e. no default history); ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower; or
- (b) a breach of contract, such as a default or past due event; or
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are past due over one year, whichever is earlier. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Classification of financial liabilities and equity instruments

Financial liabilities and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination; 2) held-for-trading; or 3) designated measured as at FVTPL, are subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group's management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

Management is of the opinion that there was no critical judgement involved that has a significant effect on the amounts recognised in the Consolidated Financial Statements.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Estimated impairment of trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision matrix is based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision rate is based on the Group's historical default rates, taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 33 and 20, respectively.

As at 30 June 2020, the carrying amounts of trade receivables of the Group were approximately S\$5,790,000 (2019: S\$6,612,000) (Note 20).

6. REVENUE AND SEGMENT INFORMATION

Revenue

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

| | Year ended 30 June | |
|----------------------------------|----------------------|----------------------|
| | 2020 | 2019 |
| | <i>S\$'000</i> | <i>S\$'000</i> |
| Search engine marketing services | 19,175 | 23,404 |
| Creative and technology services | 4,482 | 4,535 |
| Social media marketing services | 1,085 | 946 |
| | <u>24,742</u> | <u>28,885</u> |
| | <u><u>24,742</u></u> | <u><u>28,885</u></u> |

| | Year ended 30 June | |
|------------------------------------|----------------------|----------------------|
| | 2020 | 2019 |
| | <i>S\$'000</i> | <i>S\$'000</i> |
| Timing of revenue recognition: | | |
| Over time: | | |
| — Search engine marketing services | 19,175 | 23,404 |
| — Social media marketing services | 1,085 | 946 |
| | <u>20,260</u> | <u>24,350</u> |
| At point in time: | | |
| — Creative and technology services | 4,482 | 4,535 |
| | <u>4,482</u> | <u>4,535</u> |
| | <u><u>24,742</u></u> | <u><u>28,885</u></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 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 and social media 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 to customers. Such services are recognised at a point in time when the websites or services are available for the customers because the Group has determined that control of the performance obligation has transferred to the customers (i.e. service performed) as the Group has the right to payment for its service and customers have accepted its services. Revenue recognised from creative and technology 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 (the “CEO”), 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.

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.

Year ended 30 June 2020

| | Search engine marketing services <i>S\$’000</i> | Creative and technology services <i>S\$’000</i> | Social media marketing services <i>S\$’000</i> | Total <i>S\$’000</i> |
|-------------------------------------|---|---|--|-------------------------|
| REVENUE | | | | |
| External sales and segment revenue | <u>19,175</u> | <u>4,482</u> | <u>1,085</u> | <u>24,742</u> |
| RESULTS | | | | |
| Segment profit | <u>4,672</u> | <u>3,778</u> | <u>242</u> | 8,692 |
| Unallocated other income | | | | 647 |
| Other gains | | | | 623 |
| Selling expenses | | | | (1,091) |
| General and administrative expenses | | | | (5,527) |
| Finance costs | | | | <u>(66)</u> |
| Profit before tax | | | | <u>3,278</u> |

Year ended 30 June 2019

| | Search engine marketing services <i>S\$'000</i> | Creative and technology services <i>S\$'000</i> | Social media marketing services <i>S\$'000</i> | Total <i>S\$'000</i> |
|-------------------------------------|---|---|--|-------------------------|
| REVENUE | | | | |
| External sales and segment revenue | <u>23,404</u> | <u>4,535</u> | <u>946</u> | <u>28,885</u> |
| RESULTS | | | | |
| Segment profit | <u>6,700</u> | <u>3,859</u> | <u>319</u> | 10,878 |
| Unallocated other income | | | | 215 |
| Other losses | | | | (25) |
| Selling expenses | | | | (1,077) |
| General and administrative expenses | | | | (3,068) |
| Listing expenses | | | | (2,982) |
| Finance costs | | | | <u>(49)</u> |
| Profit before tax | | | | <u>3,892</u> |

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment profit represents the profit earned by each segment without allocation of general and administrative expenses, selling expenses, finance costs, listing expenses, other income and other gains or 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:

| | Year ended 30 June | |
|---------------------------------|---------------------------|----------------|
| | 2020 | 2019 |
| | <i>S\$'000</i> | <i>S\$'000</i> |
| Singapore (country of domicile) | 22,858 | 24,952 |
| Malaysia | 1,884 | 3,933 |
| | <u>24,742</u> | <u>28,885</u> |

Non-current assets by geographical location

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

| | Year ended 30 June | |
|---------------------------------|--------------------|--------------|
| | 2020 | 2019 |
| | S\$'000 | S\$'000 |
| Singapore (country of domicile) | 3,103 | 3,664 |
| British Virgin Islands | 7,692 | — |
| Malaysia | 10 | 13 |
| | <u>10,805</u> | <u>3,677</u> |

Information about major customers

No single customer contributes over 10% or more of total revenue of the Group during the Year.

7. OTHER INCOME

| | Year ended 30 June | |
|-----------------------------------|--------------------|------------|
| | 2020 | 2019 |
| | S\$'000 | S\$'000 |
| Government grants (<i>Note</i>) | 301 | 61 |
| Rental income | 109 | 118 |
| Interest income | 146 | — |
| Others | 91 | 36 |
| | <u>647</u> | <u>215</u> |

Note: Included in government grants during the year ended 30 June 2020 is an amount of S\$252,000 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 30 June 2020, grant receivable of S\$179,000 is recorded under “Deferred government grant income” (Note 22) and is expected to be recognised as grant income in the next financial year.

8. OTHER GAINS OR LOSSES

| | Year ended 30 June | |
|-----------------------------|--------------------|-------------|
| | 2020 | 2019 |
| | S\$'000 | S\$'000 |
| Net exchange gains (losses) | <u>623</u> | <u>(25)</u> |

9. FINANCE COSTS

| | Year ended 30 June | |
|---------------------------------------|--------------------|----------------|
| | 2020 | 2019 |
| | <i>S\$'000</i> | <i>S\$'000</i> |
| Interest on bank borrowings | 58 | 49 |
| Interest expense on lease liabilities | 8 | — |
| | <u>66</u> | <u>49</u> |

10. INCOME TAX EXPENSE

| | Year ended 30 June | |
|--|--------------------|----------------|
| | 2020 | 2019 |
| | <i>S\$'000</i> | <i>S\$'000</i> |
| Tax expense comprises: | | |
| Current tax: | | |
| — Singapore corporate income tax (“CIT”) | 650 | 1,153 |
| — Malaysia income tax | 83 | 114 |
| Under (Over) provision from prior years | 76 | (38) |
| Deferred tax (Note 19) | (12) | (32) |
| | <u>797</u> | <u>1,197</u> |

Singapore CIT is calculated at 17% (2019: 17%) of the estimated assessable profit for the year.

Malaysia corporate tax is calculated at 24% (2019: 17%) for the first MYR500,000 of estimated assessable profit and 24% (2019: 24%) for the remaining estimated assessable profit for the year.

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

| | Year ended 30 June | |
|--|--------------------|----------------|
| | 2020 | 2019 |
| | <i>S\$'000</i> | <i>S\$'000</i> |
| Profit before taxation | <u>3,278</u> | <u>3,892</u> |
| Tax at Singapore CIT rate of 17% | 557 | 662 |
| Tax effect of income tax not taxable for tax purpose | (84) | (17) |
| Tax effect of different tax rate in foreign jurisdiction | 1 | 23 |
| Tax effect of expenses not deductible for tax purpose | 279 | 567 |
| Effect of tax concessions and partial tax exemptions | (32) | — |
| Under/(Over) provision from prior years | 76 | (38) |
| | <u>797</u> | <u>1,197</u> |

11. PROFIT FOR THE YEAR

| | Year ended 30 June | |
|--|--------------------|----------------|
| | 2020 | 2019 |
| | <i>S\$'000</i> | <i>S\$'000</i> |
| Profit for the year has been arrived at after charging (crediting): | | |
| Directors' emoluments: | | |
| Fees | 90 | 9 |
| Salaries, allowances and other benefits | 1,378 | 968 |
| Retirement benefits scheme contributions | 44 | 64 |
| | <u>1,512</u> | <u>1,041</u> |
| Other staff costs: | | |
| Salaries, allowances and other benefits | 3,258 | 2,343 |
| Retirement benefits scheme contributions | 399 | 309 |
| | <u>3,657</u> | <u>2,652</u> |
| Total staff costs | <u>5,169</u> | <u>3,693</u> |
| Auditors' remuneration | 185 | 184 |
| Minimum lease payments | — | 124 |
| Depreciation expenses: | | |
| — Investment property | 68 | 68 |
| — Plant and equipment | 79 | 57 |
| — Right-of-use assets | 259 | — |
| Bad debts directly written off | 108 | 62 |
| Impairment loss, net of reversal on trade receivables | 680 | 148 |
| Impairment loss on investment property | 245 | — |
| Gross rental income from an investment property | (109) | (118) |
| Less: Direct operating expenses incurred for investment property that generated rental income during the year | 68 | 68 |
| | <u>(41)</u> | <u>(50)</u> |

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

| Name | Position | Date of appointment as the Directors |
|--------------------|--|---|
| Ms. Teo Li Lian | Executive Director, Chairlady of the Board and CEO | 7 December 2017 |
| Mr. Teo Kuo Liang | Executive Director | 7 December 2017 |
| Mr. Chung Kwok Hoe | Independent non-executive Director | 3 June 2019 |
| Mr. Tan Eng Ann | Independent non-executive Director | 3 June 2019 |
| Mr. Lee Shy Tsong | Independent non-executive Director | 3 June 2019 |
| Ms. Zhang Hong | Non-executive Director | 22 September 2020 |

Details of the emoluments paid or payable by the entities comprising the Group to the Directors and its chief executive (including emoluments for the services as employees or directors of the entities comprising the Group prior to becoming the Directors) during the Year for their services rendered to the entities comprising the Group are as follows:

Year ended 30 June 2020

| | Fees <i>S\$'000</i> | Salaries, allowances and other benefits <i>S\$'000</i> | Retirement benefit scheme contributions <i>S\$'000</i> | Total <i>S\$'000</i> |
|--------------------|-------------------------------|--|--|--------------------------------|
| Ms. Teo Li Lian | — | 699 | 22 | 721 |
| Mr. Teo Kuo Liang | — | 679 | 22 | 701 |
| Mr. Chung Kwok Hoe | 30 | — | — | 30 |
| Mr. Tan Eng Ann | 30 | — | — | 30 |
| Mr. Lee Shy Tsong | 30 | — | — | 30 |
| | <u>90</u> | <u>1,378</u> | <u>44</u> | <u>1,512</u> |

Year ended 30 June 2019

| | Fees <i>S\$'000</i> | Salaries, allowances and other benefits <i>S\$'000</i> | Retirement benefit scheme contributions <i>S\$'000</i> | Total <i>S\$'000</i> |
|--------------------|------------------------|---|---|-------------------------|
| Ms. Teo Li Lian | — | 493 | 32 | 525 |
| Mr. Teo Kuo Liang | — | 475 | 32 | 507 |
| Mr. Chung Kwok Hoe | 3 | — | — | 3 |
| Mr. Tan Eng Ann | 3 | — | — | 3 |
| Mr. Lee Shy Tsong | 3 | — | — | 3 |
| | <u>9</u> | <u>968</u> | <u>64</u> | <u>1,041</u> |

The executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive Directors' emoluments shown above were for their services as Directors.

No emolument of Ms. Zhang Hong, the non-executive Director, has been shown as she was appointed with effect from 22 September 2020.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group for the year ended 30 June 2020 include two (2019: two) Directors (details of whose emoluments are set out in Note 12 above). Details of the emoluments of the remaining three (2019: three) highest paid individuals for the year ended 30 June 2020 are as follows:

| | Year ended 30 June | |
|--|---------------------------|----------------|
| | 2020 | 2019 |
| | <i>S\$'000</i> | <i>S\$'000</i> |
| Salaries, allowances and other benefits | 598 | 430 |
| Retirement benefits scheme contributions | 55 | 48 |
| | <u>653</u> | <u>478</u> |

The number of the highest paid employees who are not the directors of the Company whose emoluments fell within the following bands is as follows:

| | Year ended 30 June | |
|--------------------------------|--------------------|-----------------|
| | 2020 | 2019 |
| Nil to HK\$1,000,000 | 2 | 2 |
| HK\$1,000,001 to HK\$1,500,000 | <u>1</u> | <u>1</u> |
| | <u><u>3</u></u> | <u><u>3</u></u> |

During the Year, no emoluments were paid by the Group to any of the directors or chief executive officer of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the chief executive officer, directors of the Company nor the five highest paid individuals waived any emoluments during the Year.

14. DIVIDENDS

No dividends were paid or proposed during the years ended 30 June 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

15. EARNINGS PER SHARE

| | Year ended 30 June | |
|--|--------------------|-------------------|
| | 2020 | 2019 |
| Profit attributable to the owners of the Company (S\$'000) | 2,481 | 2,695 |
| Weighted average number of ordinary shares in issue ('000) | 800,000 | 602,740 |
| Basic and diluted earnings per share (Singapore cents) | <u><u>0.3</u></u> | <u><u>0.4</u></u> |

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average number of shares in issue.

Diluted earnings per share is the same as the basic earnings per share because the Group had no potential dilutive securities that were convertible into shares during the years ended 30 June 2020 and 2019.

16. PLANT AND EQUIPMENT

| | Leasehold improvements <i>S\$'000</i> | Furniture and fixtures <i>S\$'000</i> | Computers <i>S\$'000</i> | Office equipment <i>S\$'000</i> | Total <i>S\$'000</i> |
|---------------------------------|---|---|-----------------------------|---------------------------------------|-------------------------|
| Cost | | | | | |
| As at 1 July 2018 | 110 | 64 | 161 | 21 | 356 |
| Additions | — | — | 16 | — | 16 |
| As at 30 June 2019 | 110 | 64 | 177 | 21 | 372 |
| Additions | 3 | — | 57 | 13 | 73 |
| Disposals | — | (10) | (2) | — | (12) |
| Written Off | (18) | (1) | — | — | (19) |
| As at 30 June 2020 | 95 | 53 | 232 | 34 | 414 |
| Accumulated depreciation | | | | | |
| As at 1 July 2018 | 41 | 29 | 146 | 10 | 226 |
| Depreciation | 20 | 10 | 24 | 3 | 57 |
| As at 30 June 2019 | 61 | 39 | 170 | 13 | 283 |
| Depreciation | 21 | 12 | 42 | 4 | 79 |
| Eliminated on disposals | — | (8) | (2) | — | (10) |
| Written off | (14) | (1) | — | — | (15) |
| As at 30 June 2020 | 68 | 42 | 210 | 17 | 337 |
| Carrying values | | | | | |
| As at 30 June 2019 | 49 | 25 | 7 | 8 | 89 |
| As at 30 June 2020 | 27 | 11 | 22 | 17 | 77 |

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

| | |
|------------------------|-----|
| Leasehold improvements | 20% |
| Furniture and fixtures | 20% |
| Computers | 50% |
| Office equipment | 20% |

17. RIGHT-OF-USE ASSETS

The Group leases office space for an average lease term of 2 years (2019: 2 years).

| | Office space <i>S\$'000</i> |
|---------------------------|---------------------------------------|
| Cost: | |
| As at 1 July 2019 | 511 |
| Termination of lease | <u>(27)</u> |
| As at 30 June 2020 | <u>484</u> |
| Accumulated depreciation: | |
| As at 1 July 2019 | — |
| Depreciation | 259 |
| Termination of lease | <u>(17)</u> |
| As at 30 June 2020 | <u>242</u> |
| Carrying amount: | |
| As at 1 July 2019 | <u>511</u> |
| As at 30 June 2020 | <u>242</u> |

During the Year, the Group has terminated lease contract for office space in its Malaysia operation. The early termination resulted in a lease of right-of-use asset of S\$10,000 and reversal of corresponding lease liabilities of S\$11,000.

18. INVESTMENT PROPERTY

| | Leasehold property S\$'000 |
|--|---|
| Cost: | |
| As at 1 July 2018, 30 June 2019 and 2020 | 3,397 |
| Accumulated depreciation: | |
| As at 1 July 2018 | 266 |
| Depreciation | 68 |
| As at 30 June 2019 | 334 |
| Depreciation | 68 |
| As at 30 June 2020 | 402 |
| Impairment: | |
| Impairment loss recognised for the year ended 30 June 2020 and balance at 30 June 2020 | 245 |
| Carrying values: | |
| As at 30 June 2019 | 3,063 |
| As at 30 June 2020 | 2,750 |

The above investment property is a leasehold property located at 60 Paya Lebar Road, #11-52 Paya Lebar Square, Singapore 409051 and is depreciated over 50 years on a straight-line basis.

The Group's property interest is leased out under operating leases for lease terms of 3 years to earn rentals or for capital appreciation purposes. The property is measured using the cost model and is classified and accounted for as an investment property. The investment property is mortgaged to a bank to secure for bank loans as at 30 June 2019 and 2020 (Note 25).

As at 30 June 2020, the fair value of the investment property amounted to approximately S\$2,750,000 (2019: S\$3,320,000). The fair value has been arrived at based on a valuation carried out by CKS Property Consultants Pte Ltd (2019: Cushman & Wakefield Limited), independent valuer not related to the Group. Direct comparison approach has been adopted, in arriving the open market value for the year ended 30 June 2020. The direct comparison approach involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment property. In determining the fair value, the valuer has used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of investment property include price per square foot. In relying on the valuation report, management has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions.

In estimating the fair value of the property, the highest and best use of the property is their current use.

19. DEFERRED TAX ASSETS

The following is the major deferred tax assets recognised by the Group, and the movement thereon, during the current reporting period:

| | Tax losses <i>S\$'000</i> | Total <i>S\$'000</i> |
|--|-------------------------------------|--------------------------------|
| As at 1 July 2018 | — | — |
| Credit to profit or loss for the year | <u>32</u> | <u>32</u> |
| As at 30 June 2019 | 32 | 32 |
| Credit to profit or loss for the year (<i>Note 10</i>) | <u>12</u> | <u>12</u> |
| As at 30 June 2020 | <u>44</u> | <u>44</u> |

20. TRADE AND OTHER RECEIVABLES

| | 2020 <i>S\$'000</i> | 2019 <i>S\$'000</i> |
|------------------------------------|-------------------------------|------------------------|
| Current assets: | | |
| Trade receivables | 4,613 | 4,274 |
| Unbilled revenue | <u>2,029</u> | <u>2,577</u> |
| | 6,642 | 6,851 |
| Less: Allowance for doubtful debts | <u>(852)</u> | <u>(239)</u> |
| | <u>5,790</u> | <u>6,612</u> |
| Deposits | 54 | 39 |
| Prepayments | 86 | 88 |
| Staff loans | 309 | 140 |
| Government grant receivables | 120 | — |
| Other receivables | <u>14</u> | <u>17,254</u> |
| Total | <u>6,373</u> | <u>24,133</u> |
| Non-current assets: | | |
| Deposits | <u>7,692</u> | <u>493</u> |
| Total | <u>7,692</u> | <u>493</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).

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically. The majority of the Group's trade receivables that are not impaired have good credit quality. The Group does not hold any collateral over these balances.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

The table below is an ageing analysis of trade receivables and unbilled revenue net of allowance for credit losses presented based on the invoice dates as at the end of each reporting period.

| | 2020 | 2019 |
|-------------------|----------------|----------------|
| | <i>S\$'000</i> | <i>S\$'000</i> |
| Unbilled revenue | 1,994 | 2,577 |
| Less than 30 days | 1,125 | 1,354 |
| 31 to 60 days | 614 | 726 |
| 61 to 90 days | 393 | 373 |
| Over 90 days | 1,664 | 1,582 |
| | 5,790 | 6,612 |

In determining the recoverability of trade receivables, the Group considers any changes in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. In the opinion of the directors of the Group, apart from those balances from which allowances have been provided, other trade receivables at the end of each reporting period are of good credit quality which considering the high credibility of these customers, good track record with the Group, receivables at the end of each reporting period, the management believes that no further impairment allowance is necessary in respect of unsettled balances.

As part of the Group's credit risk management, the Group assesses the impairment for its customers based on different group of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The directors consider that the ECL for other receivables are insignificant as at 30 June 2020. Details of the credit risk assessment are included in Note 33.

Movement in lifetime ECL that has been recognised in accordance with simplified approach set out in IFRS 9 for the year ended 30 June 2020 is as follows:

| | Lifetime ECL- not credit- impaired individually assessed S\$'000 | Lifetime ECL- Credit impaired S\$'000 | Total S\$'000 |
|-----------------------------------|---|--|--------------------------|
| As at 1 July 2018 | — | 260 | 260 |
| Amounts charged to profit or loss | — | 148 | 148 |
| Written off | — | (169) | (169) |
| | <hr/> | <hr/> | <hr/> |
| As at 30 June 2019 | — | 239 | 239 |
| Amounts charged to profit or loss | 100 | 580 | 680 |
| Written off | — | (67) | (67) |
| | <hr/> | <hr/> | <hr/> |
| As at 30 June 2020 | 100 | 752 | 852 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

All of the above impairment losses are related to trade receivables arising from contracts with customers.

As at 30 June 2020, included in the Group's trade receivables balance, are debtors with aggregate carrying amount of S\$3,796,000 (2019: S\$4,035,000) which are past due as at the reporting date, of which S\$2,132,000 (2019: S\$2,453,000) has been past due but less than 90 days and S\$1,664,000 (2019: S\$1,582,000) has been past due 90 days or more. Management did not consider these balances as in default as these balances are mainly due from customers of good credit quality.

The movement for the year ended 30 June 2020, in lifetime ECL, has been recognised from trade receivables in accordance with the simplified approach set out in IFRS 9. During the year ended 30 June 2020, impairment loss of S\$580,000 was recognised for credit-impaired trade receivables and impairment loss of S\$100,000 was recognised for non-credit impaired trade receivables.

Included in other receivables in the previous year was an amount of S\$17,251,000 related to amount receivables from the sole global co-ordinator to the share offer of the Company in relations to the proceeds from issuance of shares which was received in the current year.

Government grant receivables related to Job Support Scheme provided by the Singapore government announced in the Unity Budget and Resilience Budget on 18 February 2020 and 26 March 2020 respectively, which is expected to be received within the next financial year.

Non-current deposits relate to upfront deposits made to a vendor for development of a technological infrastructure equipment which is expected to be delivered after the end of the reporting period.

21. BANK BALANCES AND CASH

| | As at 30 June | |
|--------------------------|---------------|--------------|
| | 2020 | 2019 |
| | S\$'000 | S\$'000 |
| Time deposits | 2,277 | — |
| Cash at bank and on hand | 16,848 | 9,788 |
| | <u>19,125</u> | <u>9,788</u> |

Time deposits are placed with financial institutions at effective interest rates ranging from 1.68% to 3.9% per annum and for an average tenure of 6 to 12 months. These deposits with licensed banks can be withdrawn before due date if required without having to incur significant costs, and therefore, the carrying amounts approximate their fair values.

The directors of the Company considered that the ECL on bank balances and cash is insignificant as at 30 June 2020 and 2019.

22. TRADE AND OTHER PAYABLES

| | As at 30 June | |
|--|---------------|--------------|
| | 2020 | 2019 |
| | S\$'000 | S\$'000 |
| Trade payables | 1,986 | 2,746 |
| Accrued expenses | 326 | 211 |
| Accrued listing expenses/share issue costs | — | 1,851 |
| Deposits received | 250 | 243 |
| Goods and services tax payables | 280 | 355 |
| Deferred government grant income (Note 7) | 179 | — |
| Other payables | 92 | 1,042 |
| | <u>3,113</u> | <u>6,448</u> |

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

| | As at 30 June | |
|----------------|---------------|--------------|
| | 2020 | 2019 |
| | S\$'000 | S\$'000 |
| 1 to 30 days | 1,021 | 1,373 |
| 31 to 60 days | 954 | 1,367 |
| 61 to 90 days | 5 | 3 |
| 91 to 120 days | 6 | 3 |
| | <u>1,986</u> | <u>2,746</u> |

23. 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:

| | As at 30 June | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| | <i>S\$'000</i> | <i>S\$'000</i> |
| At the beginning of year | 3,083 | 3,421 |
| Receipt from customers upon entering sales contracts during the year | 20,016 | 24,010 |
| Revenue recognised that was included in the contract liabilities balance at the beginning of the year | (3,083) | (3,421) |
| Revenue recognised during the year that was related to receipt from customers in the same year | <u>(17,177)</u> | <u>(20,927)</u> |
| At the end of year | <u>2,839</u> | <u>3,083</u> |

When the Group receives a deposit before the service commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group typically receives a 25% deposit before services commence.

24. LEASE LIABILITIES

Lease liabilities (*disclosure required by IFRS 16*)

| | As at 30 June |
|-------------------------|-------------------|
| | 2020 |
| | <i>S\$'000</i> |
| Maturity analysis: | |
| — Within one year | <u>247</u> |
| | 247 |
| Less: Unearned interest | <u>(3)</u> |
| | <u>244</u> |
| | As at 30 June |
| | 2020 |
| | <i>S\$'000</i> |
| Analysed as: | |
| Current | <u>244</u> |

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.

25. BANK BORROWINGS

| | As at 30 June | |
|---|----------------|----------------|
| | 2020 | 2019 |
| | <i>S\$'000</i> | <i>S\$'000</i> |
| Bank borrowings — secured and guaranteed | <u>2,114</u> | <u>2,234</u> |
| Carrying amount of the above borrowings that are variable-rate and repayable: | | |
| Within one year | 107 | 122 |
| More than one year but not exceeding two years | 102 | 103 |
| More than two years but not exceeding five years | 345 | 326 |
| More than five years | <u>1,560</u> | <u>1,683</u> |
| | 2,114 | 2,234 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | <u>(107)</u> | <u>(122)</u> |
| Amount due for settlement after 12 months | <u>2,007</u> | <u>2,112</u> |

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 variable-rate bank borrowings carry interests at certain basis points below the bank's prime lending rate per annum.

The range of effective interest rates (which were also equal to contracted interest rates) of the Group's bank borrowings are as follows:

| | As at 30 June | |
|--------------------------|--------------------|--------------------|
| | 2020 | 2019 |
| Effective interest rate: | | |
| Variable-rate borrowings | <u>2.48%–2.78%</u> | <u>1.68%–2.48%</u> |

26. SHARE CAPITAL

For the purpose of presenting the share capital of the Company prior to the Group's Reorganisation in the consolidated statement of financial position, the balance as at 1 July 2018 represented the share capital of AM Group Holdings Limited as the Company was incorporated in the Cayman Islands on 7 December 2017.

The Company was successfully listed on the Main Board of the Stock Exchange on 26 June 2019 by way of a placing of 180,000,000 ordinary Shares and a public offer of 20,000,000 new Shares at the price of HK\$0.65 per Share. All issued Shares rank pari passu in all respects with each other.

| | Number of Shares | Par value <i>HK\$</i> | Share capital <i>HK\$'000</i> |
|---|------------------------------|---------------------------|--|
| 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 (ii) | <u>9,962,000,000</u> | 0.01 | <u>99,620</u> |
| At 30 June 2019 and 30 June 2020 | <u>10,000,000,000</u> | 0.01 | <u>100,000</u> |
| | Number of Shares | | Share capital <i>SS'000</i> |
| Issued and fully paid of the Company: | | | |
| At date of incorporation on 7 December 2017 (i) | | 1 | — |
| Issue of shares pursuant to the Group's Reorganisation (iii) | | 99 | — |
| Issue of shares pursuant to capitalisation issue (iv) | | 599,999,900 | 1,042 |
| Issue of shares under the Share Offer (v) | | <u>200,000,000</u> | <u>347</u> |
| At 30 June 2019 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 Activa Media Investment Limited (“Activa 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 Li Lian (“Ms. Teo”), Mr. Teo Kuo Liang (collectively, the “Controlling Shareholders”), Activa Media Investment and the Company entered into a sale and purchase agreement, pursuant to which Activa Media Investment transferred its entire shareholdings in Activa (BVI) to the Company in consideration of the Company allotting and issuing 99 shares to Activa 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 were issued and fully paid, was 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\$22,567,000) with Listing expenses of approximately S\$1,812,000 being 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.

27. SHARE PREMIUM

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

28. OPERATING LEASE COMMITMENTS

The Group as lessee

Disclosure required under IAS 17

| | Year ended 30 June 2019 S\$'000 |
|--|--|
| Minimum lease payments paid under operating leases during the year | <u>124</u> |

At the end of the reporting period, the Group had outstanding for future minimum lease payments under non-cancellable operating leases which fell due as follows:

| | As at 30 June 2019 S\$'000 |
|---------------------------------------|-------------------------------------|
| Within one year | 19 |
| In the second to fifth year inclusive | 10 |
| | <hr/> |
| | 29 |
| | <hr/> <hr/> |

Operating lease payments represented rentals payable by the Group for its office premises. Lease terms were negotiated and rentals were fixed for an average of 2 years.

The Group as lessor

Disclosure required under IFRS 16

Operating leases, in which the Group is the lessor, relate to investment property owned by the Group with a lease term of 3 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

As at 30 June 2020, the Group had no outstanding commitments under non-cancellable operating leases as lessor.

Disclosure required under IAS 17

| | Year ended 30 June 2019 S\$'000 |
|---------------|--|
| Rental income | 118 |
| | <hr/> <hr/> |

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

| | As at 30 June 2019 S\$'000 |
|--|-------------------------------------|
| Within one year | 130 |
| In the second to fifth years inclusive | <u>260</u> |
| | <u><u>390</u></u> |

29. CAPITAL COMMITMENT

| | 2020 S\$'000 | 2019 S\$'000 |
|---|-----------------|-----------------|
| Commitments for development of a technological infrastructure | <u>—</u> | <u>493</u> |

30. RETIREMENT BENEFIT PLAN

As prescribed by the Central Provident Fund Board of Singapore, the Group's employees employed in Singapore who are Singapore citizens or permanent residents are required to join the CPF scheme. The Group's contribution rates are up to 17% of the eligible employees' salaries, with each employee's qualifying salary capped at S\$6,000 per month.

As prescribed by the Employees' Provident Fund Act 1991 of Malaysia, the Group's employees employed in Malaysia who are Malaysia citizens, permanent residents or non-Malaysian citizens are required to join the EPF scheme. The Group contributed up to 13% of the eligible employees' salaries to the EPF scheme.

The total costs charged to profit and loss, amounting to S\$443,000 (2019: S\$373,000) for the year ended 30 June 2020, represent contributions paid to the retirement benefits scheme by the Group.

31. RELATED PARTY TRANSACTIONS

Apart from disclosure elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties:

| Name | Relationship | Nature of transaction | 2020 S\$'000 | 2019 S\$'000 |
|---|---|---------------------------------------|-----------------|-----------------|
| Teo Li Lian | Chairlady, Executive Director and controlling shareholder | Rental expense | — | 49 |
| Teo Kuo Liang | Executive Director and controlling shareholder | Rental expense | — | 49 |
| Teo Li Lian and Teo Kuo Liang (Note) | Chairlady, Executive Directors and controlling shareholders | Repayment of lease liabilities | 239 | — |
| | | Interest expense on lease liabilities | 7 | — |
| | | Right-of-use assets | 242 | — |
| | | Lease liabilities | <u>244</u> | <u>—</u> |

Note: During the year ended 30 June 2020, the Group entered into a tenancy agreement for the use of office space for an initial term of 1 year with an extension option of 1 year. As at 1 July 2019, the Group recognised right-of-use assets and lease liabilities of S\$483,000 for the office space upon the application of IFRS 16.

Compensation of key management personnel

The Directors were considered to be the key management personnel of the Company. The remuneration of the Directors is set out in Note 12. The remuneration of key management personnel is determined with regard to the performance of individuals and market trends.

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as going concern while maximising the return to shareholders through the optimisation debt and equity balance. The Group's overall strategy remained unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the lease liabilities and borrowings as set out in Notes 24 and 25 respectively, net of cash and cash equivalents and equity of the Group, comprising issued share capital, share premium and reserves.

The management reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

| | 2020 <i>S\$'000</i> | 2019 <i>S\$'000</i> |
|------------------------------|------------------------|------------------------|
| Financial assets | | |
| Amortised cost | <u>25,412</u> | <u>33,833</u> |
| Financial liabilities | | |
| Amortised cost | 4,768 | 8,327 |
| Lease liabilities | <u>244</u> | <u>—</u> |

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 25 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank's commercial financing rate in Singapore arising from the Group's borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease in variable-rate bank borrowings are used represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 30 June 2020 would decrease/increase by S\$10,000 (2019: S\$11,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Currency risk

Currency risk arises from transactions denominated in currencies other than the functional currency of the subsidiaries. The currency that gives rise to significant currency risk is primarily Hong Kong dollar.

The Group's currency risk exposure arising from Hong Kong dollar based on the information provided to key management is as follows:

| | <i>S\$'000</i> |
|---|----------------------|
| As at 30 June 2020 | |
| Total financial assets | 14,227 |
| Total financial liabilities | <u>(1,906)</u> |
| Net financial assets | 12,321 |
| Less: | |
| Net financial assets denominated in the respective subsidiary's functional currency | <u>—</u> |
| Currency exposure of financial assets net of those denominated in the respective subsidiary's functional currency | <u><u>12,321</u></u> |

| | |
|---|----------------------|
| | <i>S\$'000</i> |
| As at 30 June 2019 | |
| Total financial assets | 21,691 |
| Total financial liabilities | <u>(707)</u> |
| Net financial assets | 20,984 |
| Less: | |
| Net financial assets denominated in the respective subsidiary's functional currency | <u>—</u> |
| Currency exposure of financial assets net of those denominated in the respective subsidiary's functional currency | <u><u>20,984</u></u> |

Sensitivity analysis

Assuming that all other variables remain constant at year end, a 5% depreciation/appreciation of the S\$ against HK\$ would result in an increase/decrease in the Group's post-tax profit for the year of approximately S\$616,000 (2019: S\$1,049,000) for the year ended 30 June 2020. 5% is the sensitivity rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The Group monitors foreign currency exposure and will consider hedging significant currency exposure should the need arise.

Credit risk

The Group's concentration of credit risk by geographical locations is mainly in Singapore, Hong Kong and Malaysia, which accounted for 38% (2019: 32%), 56% (2019: 64%) and 6% (2019: 4%) of the total financial assets as at 30 June 2020.

At the end of reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the Group generally required advanced payments from customers and has delegated its finance team to develop and maintain the Group's credit risk grading to categorise exposures according to the degree of risk of default of the debtors. The finance team uses publicly available financial information and the Group's own historical repayment records to rate its major customers and debtors. The Group's exposure and the credit quality of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Other than concentration of credit risk on bank deposits placed in three (2019: three) banks in which the counterparties are financially sound, the Group has no significant concentration of credit risk with exposure spread over a number of counterparties.

The Group's current credit risk grading framework for trade and other receivables comprises the following categories:

| Category | Description | Basis for recognising ECL for trade and other receivables |
|------------|--|---|
| Low risk | The counterparty has a low risk of default and with amounts past due within 60 days. | Lifetime ECL — not credit impaired for trade receivables 12m ECL — not credit impaired for other receivables |
| Watch list | Debtors frequently repay after due dates and with amounts past due over 60 days. | Lifetime ECL — not credit impaired |
| Loss | There is evidence indicating the asset is credit impaired. | Lifetime ECL — credit impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty. | Amount is written off and the Group has no realistic prospect of recovery |

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. To measure the expected credit losses, trade receivables (including unbilled revenue) has been grouped based on shared credit risk characteristics. The loss allowance provision as at 30 June 2020 is disclosed in Note 20.

| Internal credit rating | Weighted average loss rate | Gross carrying amount <i>S\$'000</i> | Lifetime ECL | | |
|---------------------------|----------------------------|---|---------------------------------------|-----------------------------------|------------|
| | | | Non-credit impaired <i>S\$'000</i> | Credit impaired <i>S\$'000</i> | |
| As at 30 June 2020 | | | | | |
| Trade receivables | Low risk | 1.2% | 3,796 | 47 | — |
| | Watch list | 2.5% | 2,094 | 53 | — |
| | Loss (credit impaired) | 100% | 752 | — | 752 |
| | | | <u>6,642</u> | <u>100</u> | <u>752</u> |
| As at 30 June 2019 | | | | | |
| Trade receivables | Low risk | 0% | 4,655 | — | — |
| | Watch list | 0% | 1,957 | — | — |
| | Loss (credit impaired) | 100% | 239 | — | 239 |
| | | | <u>6,851</u> | <u>—</u> | <u>239</u> |

For bank balances, the Group has assessed and concluded that the expected credit loss rate for these balances is immaterial based on the Group's assessment on the risk of the default of the counterparties. Thus, no loss allowance provision for the amounts is recognised as at 30 June 2020.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial obligations as and when they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows of the Group.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the relevant market rates as at the reporting date) of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate the undiscounted amount is derived from contracted interest rate curve at the end of each reporting period.

| | Weighted average effective interest rate % | Repayable on demand or less than 1 year S\$'000 | 1 year to 5 years S\$'000 | Over 5 years S\$'000 | Total undiscounted cash flows S\$'000 | Carrying amount S\$'000 |
|---|--|---|---------------------------------|----------------------------|--|-------------------------------|
| As at 30 June 2020 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade and other payables | — | 2,654 | — | — | 2,654 | 2,654 |
| <i>Interest bearing</i> | | | | | | |
| Variable-rate bank loans | 2.73 | 200 | 861 | 2,023 | 3,084 | 2,114 |
| Fixed interest rate instruments | 2.00 | 247 | — | — | 247 | 244 |
| | | <u>3,101</u> | <u>861</u> | <u>2,023</u> | <u>5,985</u> | <u>5,012</u> |
| As at 30 June 2019 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade and other payables | — | 6,093 | — | — | 6,093 | 6,093 |
| <i>Interest-bearing</i> | | | | | | |
| Variable-rate bank loans | 2.21 | 173 | 843 | 2,240 | 3,256 | 2,234 |
| | | <u>6,266</u> | <u>843</u> | <u>2,240</u> | <u>9,349</u> | <u>8,327</u> |

(c) Fair value

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

34. PARTICULARS OF SUBSIDIARIES

As at 30 June 2020, the Company had direct equity interests in the following subsidiaries:

| Name of subsidiaries | Place and date of incorporation/ operation | Issued and fully paid capital/ registered capital | Equity interest attributable to the Company as at | | Principal activities | Notes |
|--------------------------|---|--|---|-----------|---|-------|
| | | | 2020 % | 2019 % | | |
| Directly held: | | | | | | |
| Activa (BVI) | British Virgin Islands (“BVI”) 8 November 2017 | US\$4.00 | 100 | 100 | Investment holding | (a) |
| Indirectly held: | | | | | | |
| Activa Media (S) | Singapore 22 June 2005 | S\$200,000 | 100 | 100 | Provision of online marketing services | (b) |
| Activa Media Consultancy | Singapore 1 April 2014 | S\$20,000 | 100 | 100 | Provision of creative and technology services | (c) |
| Activa Media (M) | Malaysia 21 October 2009 | MYR100 | 100 | 100 | Provision of online marketing services | (d) |

All subsidiaries now comprising the Group are limited liability companies.

None of the subsidiaries had issued any debt securities at the end of the year.

Notes:

- (a) No audited financial statements of Activa (BVI) have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.
- (b) The statutory financial statements of Activa Media (S) for the years ended 30 June 2019 and 2020 were prepared in accordance with Singapore Financial Reporting Standards issued by Accounting Standards Council in Singapore and were audited by Deloitte & Touche LLP, a firm of certified public accountants registered in Singapore.

- (c) The statutory financial statements of Activa Media Consultancy for the year ended 31 March 2019 were prepared in accordance with Singapore Financial Reporting Standards issued by Accounting Standards Council in Singapore and were audited by GohThienChee & Co, a firm of certified public accountants registered in Singapore. The statutory financial statements of Activa Media Consultancy for the year ended 31 March 2020 has not yet been prepared as these statutory financial statements are not yet due for filing.
- (d) The statutory financial statements of Activa Media (M) for the year ended 31 December 2019 were prepared in accordance with Malaysian Private Entities Reporting Standards and were audited by STYL Associates, Chartered Accountants in Malaysia. The statutory financial statements of Activa Media (M) for the year ending 31 December 2020 has not yet been prepared as these statutory financial statements are not yet due for filing.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Bank borrowings | Lease liabilities | Accrued share issue costs | Total |
|--------------------------------------|----------------------------|------------------------------|--------------------------------------|---------------------|
| | <i>S\$'000</i> | <i>S\$'000</i> | <i>S\$'000</i> | <i>S\$'000</i> |
| At 1 July 2018 | 2,354 | — | 197 | 2,551 |
| Financing cash flows | (169) | — | 480 | 311 |
| <i>Non-cash changes:</i> | | | | |
| Share issue costs accrued | — | — | (677) | (677) |
| Finance cost recognised (Note 9) | 49 | — | — | 49 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30 June 2019 | 2,234 | — | — | 2,234 |
| Adoption of IFRS 16 | — | 511 | — | 511 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 1 July 2019 | 2,234 | 511 | — | 2,745 |
| Financing cash flows | (178) | (256) | — | (434) |
| <i>Non-cash changes:</i> | | | | |
| Reversal due to termination of lease | — | (11) | — | (11) |
| Finance cost recognised (Note 9) | 58 | — | — | 58 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30 June 2020 | <u>2,114</u> | <u>244</u> | <u>—</u> | <u>2,358</u> |

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | 2020 <i>S\$'000</i> | 2019 <i>S\$'000</i> |
|---|------------------------|------------------------|
| ASSETS AND LIABILITIES | | |
| Non-current asset | | |
| Investment in a subsidiary | — | — |
| Current assets | | |
| Trade and other receivables | 40 | 17,265 |
| Amount due from a subsidiary | 7,199 | — |
| Bank balances and cash | 14,239 | 4,441 |
| | <u>21,478</u> | <u>21,706</u> |
| Current liabilities | | |
| Trade and other payables | 128 | 1,900 |
| Amount due to subsidiaries | 6,594 | 4,009 |
| | <u>6,722</u> | <u>5,909</u> |
| Net current assets | <u>14,756</u> | <u>15,797</u> |
| Total assets less current liabilities, representing net assets | <u><u>14,756</u></u> | <u><u>15,797</u></u> |
| Equity | | |
| Capital and reserves | | |
| Share capital | 1,389 | 1,389 |
| Share premium | 19,366 | 19,366 |
| Reserves | (5,999) | (4,958) |
| Equity attributable to owners of the Company | <u><u>14,756</u></u> | <u><u>15,797</u></u> |

A summary of the Company's reserves is as follows:

| | Accumulated losses | Total |
|---|-------------------------------|-----------------------|
| | <i>S\$'000</i> | <i>S\$'000</i> |
| At 1 July 2018 | (1,816) | (1,816) |
| Loss and total comprehensive expense for the period | <u>(3,142)</u> | <u>(3,142)</u> |
| At 30 June 2019 | (4,958) | (4,958) |
| Loss and total comprehensive expense for the period | <u>(1,041)</u> | <u>(1,041)</u> |
| At 30 June 2020 | <u>(5,999)</u> | <u>(5,999)</u> |

37. IMPACT OF COVID-19 OUTBREAK ON THE GROUP'S OPERATIONS

The outbreak of the novel coronavirus disease 2019 (the "COVID-19") and the measures taken to contain the spread of the pandemic have caused a high level of uncertainty to global economic prospects and this has impacted the Group's operations and its financial performance for the year ended 30 June 2020.

In order to reduce the transmission of COVID-19, Singapore was under "circuit breaker" from 7 April 2020 to 1 June 2020 and Malaysia was under Movement Control Order (the "MCO") from 18 March 2020 to 9 June 2020. During the circuit breaker and the MCO period, all businesses other than essential services were closed. Certain industries in the food and beverage, aviation and tourism sectors are badly affected for a period of time. The Singapore Government had provided several funding support to businesses, including reimbursement of salaries of certain employees under the "job support scheme" and legislating mandatory property tax rebate to be passed on from landlord to business operators, to alleviate the impact caused by COVID-19.

Although the Group's business activities have remained largely operational thus far, the impact of COVID-19 on economies and businesses is expected to be broad and significant. The Group expects market conditions to remain challenging and its financial performance will continue to be affected by the uncertainties and developments in the media and advertising industry, especially with the evolving COVID-19 situation.

The Group anticipates that any potential impacts will depend on, to a large extent, future developments and further actions taken by government authorities and other parties to contain the COVID-19 outbreak, which are beyond the Group's control.

The pandemic may continue to affect the Group in the next 12 months, and hence, the Group will stay vigilant and focus on driving revenue and improving operating efficiencies in a bid to contain costs. In addition, the Group has considered the challenges arising from the outbreak of such pandemic and assessed the impact of COVID-19 on its operations, and anticipated that adequate funds are available for its operating requirements and meeting its debt obligations, so to enable it to continue as a going concern for at least the next 12 months from the date of authorisation of the financial statements.

38. EVENTS AFTER THE REPORTING PERIOD

- (i) On 16 June 2020, the Group entered into a sale and purchase agreement to purchase 20% of the entire issued share capital of Majestic State International Limited (“Majestic”) for a total consideration of RMB12,000,000 (equivalent to approximately S\$2,400,000). The acquisition of Majestic was completed on 6 July 2020. Majestic, based in the BVI, is a holding entity of Show Times (Chongqing) Technology Co. Ltd., a limited liability company established in the People’s Republic of China and is principally engaged in real-time broadcasting through its mobile application.
- (ii) On 10 July 2020, the Company held an extraordinary general meeting (the “EGM”) in relation to the proposed change of the dual foreign name in Chinese. The proposed change was approved during the EGM and the dual foreign name in Chinese has been changed with effect from 14 July 2020 and the English name of the Company remains unchanged as “AM Group Holdings Limited”.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview and Prospects

Established in 2005 when digital marketing in Singapore was still in its infancy, the Group stands today as an established digital marketing agency in Southeast Asia and the first Singapore agency to be listed on the Main Board of the Stock Exchange in 2019.

Over the years, we have garnered many industry awards and accolades under our belt, most recently including two consecutive wins at the Google Premier Partner Awards in 2017 and 2018 — a testament to our position and expertise in this dynamic industry.

The online marketing services we provide are diverse yet complementary: search engine marketing, social media marketing as well as creative and technology services (includes search engine optimisation and web design and development). Of these, the search engine marketing segment contributes to the majority of our revenue — approximately 77.5% in FY2020.

The Group strives to integrate its marketing solutions as far as possible. When strategically used together, a client can be assured of a powerful online presence, positive branding, a website that is appealing and functional on every device, compelling search engine advertisements with customised landing pages that convert, prominent organic search results, as well as highly targeted and engaging social media posts that connect to a large audience.

From January 2020, due to the COVID-19 pandemic, businesses worldwide (including Singapore) are potentially facing an economic downturn, with reduced consumption worldwide, reduced spending, and leading into a deflationary cycle. As far as the Group is concerned, the drop in revenue for the Year was mainly due to the overall reduction in revenue from search engine marketing services as well as creative and technology services caused by the outbreak of COVID-19 in Singapore as customers cut down on advertising (“ad”) spending due to the slowing economy especially after the “Circuit Breaker” measures which had been implemented to restrict operations and movements in Singapore since early April 2020; though the increase of revenue from social media marketing services evidencing that there is a change of clients’ preference on advertising on Facebook from contents to ad spend helped to ease some loss of revenue generated from search engine marketing services and creative and technology services.

Although the Group’s business activities have remained largely operational thus far, the impact of COVID-19 on economies and businesses is expected to be broad and significant. The Group expects market conditions to remain challenging and its financial performance will continue to be affected by the uncertainties and developments in the media and advertising industry, especially with the evolving COVID-19 situation.

The Group anticipates that any potential impacts will depend on, to a large extent, future developments and further actions taken by government authorities and other parties to contain the COVID-19 outbreak, which are beyond the Group's control. The Group will continue to leverage on the new global trend that the COVID-19 has brought about: with restrictions being imposed on business operations and people's movements, businesses and consumers alike have never moved online faster. This is where the Group can step in to help businesses succeed online.

As a digital marketing agency, the Group is also fortunate to have been able to effectively conduct its operations outside of its office premises when a work-from-home directive was issued by the Government of Singapore. This means that our business operations and our clients' marketing campaigns have all been able to and will continue to run smoothly without disruption, no matter what the prevailing arrangement may be.

In the financial year ahead, the Group will continue to invest in Research and Development to expand our service offerings and stay ahead of the competition, as well as actively explore new business partnerships particularly in the People's Republic of China (the "PRC") and Greater China region.

In view of the challenging outlook as mentioned above, the Board is revisiting the Group's business plan as well as the stated use of proceeds raised from the Share Offer set out in the Prospectus. Meanwhile, the Company is actively exploring investment opportunities. However, as at the date of this announcement, the Board has not decided whether or not to change the stated use of proceeds raised from the Share Offer; and/or whether to make any investments in the PRC and Greater China region. Further details are set out in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS — Use of Net Proceeds from Listing" of this announcement. Should the Board decide to make any change of the use of proceeds raised from the Share Offer in the future, the Company will make separate announcement as soon as practicable.

The Group believes that all these will serve us well for sustainable and resilient growth in the financial year ahead.

Financial Review

Revenue

We derived our revenue from online marketing services consisting of: (i) search engine marketing services; (ii) creative and technology services; and (iii) social media marketing services. The breakdown of the Group's revenue for the Year and FY2019 is as follows:

| | Year ended 30 June | |
|----------------------------------|--------------------|----------------|
| | 2020 | 2019 |
| | <i>S\$'000</i> | <i>S\$'000</i> |
| Search engine marketing services | 19,175 | 23,404 |
| Creative and technology services | 4,482 | 4,535 |
| Social media marketing services | 1,085 | 946 |
| | <u>24,742</u> | <u>28,885</u> |

Total revenue decreased by approximately 14.3% from approximately S\$28.9 million for the year ended 30 June 2019 to approximately S\$24.7 million for the year ended 30 June 2020. It was mainly driven by the decrease in revenue generated from search engine marketing services, from approximately S\$23.4 million for the year ended 30 June 2019 to approximately S\$19.2 million for the year ended 30 June 2020, representing a decrease of 18.1% for the Year. Fortunately, this was cushioned by the social media marketing services segment's revenue growing by 14.7% from S\$1.0 million for the year ended 30 June 2019 to S\$1.1 million for the year ended 30 June 2020, and our creative and technology services segment remaining stable, marking only a slight decrease of 1.2%, S\$4.54 million in FY2019 and S\$4.48 million in FY2020. The drop in revenue was mainly due to (i) the overall reduction in revenue from search engine marketing services as well as creative and technology services caused by the outbreak of COVID-19 in Singapore as customers cut down on ad spending due to the slowing economy especially after the "Circuit Breaker" measures which had been implemented to restrict operations and movements in Singapore since early April 2020; and (ii) though the increase of social media marketing evidencing that there is a change of clients' preferences on advertising on Facebook from content to ad spend helped to ease some loss of revenue generated from search engine marketing services and creative and technology services.

Cost of services

Our cost of services has decreased 10.9% from approximately S\$18.0 million for FY2019 to approximately S\$16.1 million for FY2020. Such decrease was in line with the decrease in the revenue.

Other income

Other income consisted of (i) government grants received from the Singapore government 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) rental income; (iii) interest income from time deposits; and (iv) other income — mainly consisting of approximately S\$35,000 of forfeited rental deposit from units 11–52, Paya Lebar Square, Singapore due to a premature termination of the tenancy agreement. The premature termination of the tenancy agreement was due to tenants' business of provision of corporate training services being badly affected by the impact of COVID-19, which resulted in the cancellations of many events, training sessions and workshops.

Other gains or losses

Our other gains or losses consisted of net exchange gains or losses arising (i) from 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 FY2020, 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

Our selling expenses primarily consisted of staff costs, sales commission for our sales personnel, and marketing related expenses directly related to our sales and marketing activities. Our selling expenses were approximately S\$1.1 million in FY2019 and FY2020, representing approximately 4.4% of our total revenue (FY2019: 3.7%). This slight increase was mainly due to change in sales commission scheme for motivating the sales personnel to sell more in the segment of creative and technology services.

General and administrative expenses

Our general and administrative expenses primarily consisted of staff costs, depreciation, entertainment expenses and office expenses. Our general and administrative expenses increased from approximately S\$3.1 million in FY2019 to S\$5.5 million in FY2020. Such increase was mainly due to (i) higher staff costs of S\$2.8 million in FY2020 (FY2019: S\$1.8 million); (ii) higher allowance of doubtful debts of approximately S\$0.68 million in FY2020 (FY2019: S\$0.14 million) due to the fact that the Company's debtors are mainly small and medium enterprises which have higher credit risk and are more exposed to short-term vulnerabilities in the COVID-19 pandemic.

Finance costs

Our finance costs had increased from approximately S\$0.05 million in FY2019 to approximately S\$0.07 million in FY2020. Such increase was mainly due to the higher effective interest rate in FY2020 at the range from 2.48% to 2.78% (FY2019: 1.68% to 2.48%) per annum and the interest expenses on lease liabilities (FY2019: nil).

Income tax expense

Our income tax expense primarily consisted of provision for Singapore and Malaysia current income tax expense. Our income tax expense decreased by approximately 33% from approximately S\$1.2 million in FY2019 to approximately S\$0.8 million in FY2020. This decrease was primarily due to the decrease in taxable profits of the Group.

Profit for the Year

Our profit for the year has decreased from approximately S\$2.7 million in FY2019 to approximately S\$2.5 million in FY2020. This decrease was mainly attributable to, (i) the decrease of total revenue by approximately 14.3% from approximately S\$28.9 million for the year ended 30 June 2019 to approximately S\$24.7 million for the year ended 30 June 2020; and (ii) the increase in general and administrative expenses resulting from higher staff costs, higher allowance for doubtful debts.

The table below demonstrates the impact on our profit for the year in FY2020 and FY2019, after excluding the one-off Listing expenses:

| | Year ended 30 June | |
|------------------------------|---------------------------|----------------|
| | 2020 | 2019 |
| | <i>S\$'000</i> | <i>S\$'000</i> |
| Profit for the year | 2,481 | 2,695 |
| Add: | | |
| Listing expenses | <u>—</u> | <u>2,982</u> |
| Adjusted profit for the year | <u>2,481</u> | <u>5,677</u> |

Adjusted profit for the year

Adjusted profit for the year amounted to approximately S\$2.5 million for FY2020 as compared to that of approximately S\$5.7 million (after excluding the Listing expenses of approximately S\$3.0 million incurred in relation to the Listing) for the year ended 30 June 2019, representing a decrease of approximately 54.5% for the Year.

The decrease was mainly due to the following reasons:

- 1) increase of allowance for doubtful debts incurred in trade receivables;
- 2) increase of staff costs incurred in administrative expenses; and
- 3) an impairment loss on the investment property.

Financial Positions

As at 30 June 2020, our total equity was approximately S\$27.1 million as compared to approximately S\$24.6 million as at 30 June 2019. The increase was mainly due to the profit generated from the operating activities.

As at 30 June 2020, our net current assets were approximately S\$18.3 million as compared to approximately S\$23.0 million as at 30 June 2019. The decrease was mainly due to the payment of a deposit of approximately S\$7.2 million to the vendor to strengthen our technological infrastructure, as disclosed in the “Use of Net Proceeds from Listing” section below.

Liquidity and Capital Resources

We principally financed our working capital and other liquidity requirements through a combination of cash flow from operations and advance payments received from our clients. Our principal uses of cash have been, and are expected to continue to be, operational costs, repayment of bank borrowings and business expansion in both Singapore and Malaysia.

Capital commitments

| | As at 30 June | |
|---|---------------|---------|
| | 2020 | 2019 |
| | S\$'000 | S\$'000 |
| Commitments for development of a technological infrastructure | — | 493 |

Charges of assets

The bank borrowings as at 30 June 2020 were secured against investment property with carrying amount of approximately S\$2.8 million.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

Save as disclosed below, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures in FY2020.

On 16 June 2020, the Group entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to purchase a 20% interest in Majestic State International Limited (“Majestic”) for a consideration of RMB12 million (equivalent to approximately S\$2,400,000). The acquisition was completed on 6 July 2020 and since then, Majestic has held the entire issued share capital of Show Times (Chongqing) Technology Co. Ltd. which is engaged in the operation of offline e-commerce platforms in the PRC. Details of the acquisition are set out in the Company’s announcements dated 16 April 2020 and 16 June 2020.

Future plans for material investment or capital assets and the expected sources of funding

Save for the business plan disclosed in the Prospectus or elsewhere in this announcement, there was no other plan for material investment or capital assets as at the date of this announcement.

Gearing ratio

As at 30 June 2020, the gearing ratio (which is calculated as total interest-bearing liabilities divided by total equity and multiplied by 100%) was 7.8% as compared to 9.1% as at 30 June 2019. 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 currency 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 Singapore dollars and Malaysia Ringgits. The Group retains the net proceeds from the Share Offer in Hong Kong dollars that are exposed to fluctuations in foreign exchange rate risks and the Group had a portion of its bank deposits denominated in Malaysia Ringgits as at 30 June 2020. 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 30 June 2020, we did not have any unrecorded significant contingent liabilities, guarantees or any litigations against us.

Employees and Remuneration Policies

As at 30 June 2020, the Group had 73 (30 June 2019: 58) employees and our employee remuneration totalled approximately S\$5.2 million for FY2020 (FY2019: S\$3.7 million) (including salary, bonus, and other employee benefits). 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 benefits schemes for employees in Singapore and Malaysia. The Company also provides customised training to its staff to enhance their technical and product knowledge.

The remuneration of the 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 benefits 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 30 June 2020 and no option was exercised or cancelled or lapsed during the Year.

Use of Net Proceeds from Listing

The Shares were successfully listed on the Main Board of the Stock Exchange on 26 June 2019. The net proceeds from the Listing (the “Net Proceeds”) were approximately HK\$92 million. The table below sets forth the breakdown of the intended use and the timeline for utilisation of the Net Proceeds as at 30 June 2020:

| | Intended use of Net Proceeds from the share offer <i>HK\$ million</i> | Proportion % | Amount | | Remaining balance as at 30 June 2020 <i>HK\$ million</i> | Expected timeline to use the remaining Net Proceeds |
|---|--|-----------------|--|---|--|---|
| | | | utilised as at 30 June 2019 <i>HK\$ million</i> | utilised during the Year and as at 30 June 2020 <i>HK\$ million</i> | | |
| Strengthening our technological infrastructure | 58.2 | 63.3 | — | 40.65 | 17.55 | Q4 2019 <i>Note 1</i> |
| Acquisition of a website development and hosting company | 26.20 | 28.5 | — | — | 26.20 | <i>Note 2</i> |
| Establishment of a sales office in Johor Bahru (“JB”), Malaysia | 5.30 | 5.7 | — | — | 5.30 | <i>Note 3</i> |
| Working capital | 2.30 | 2.5 | — | — | 2.30 | — |
| Total | 92.00 | 100.0 | — | 40.65 | 51.35 | |

Note 1: 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. As to the remaining balance of the Net Proceeds designated for this purpose, please refer to the description set out below.

Note 2: The management is revisiting the Group’s business plan and may consider to convert the use of the Net Proceeds from acquisition of a website development and hosting company to other investment opportunities. The management is of the view that a strategy to expand the website development team organically from the current team would be more beneficial to the Group as the global economy has been dampened by the COVID-19 pandemic and the management cannot identify suitable companies for acquisition under the current economic condition. Meanwhile, the Company has been expanding its website team internally. As at the date of this announcement, the Board has not decided whether or not to change the stated use of proceeds raised from the Share Offer; and/or whether to make any investments in the PRC and Greater China region. Should the Board decide to make any change of the use of proceeds raised from the Share Offer in the future, the Company will make separate announcement as soon as practicable.

Note 3: Due to current COVID-19 situation, the management is revisiting the Group’s business plan and believes that it would not be the best time to establish a sales office in JB, Malaysia due to lower sales opportunities in JB. Accordingly, the management may consider to convert the use of the Net Proceeds to other investment opportunities. As at the date of this announcement, the Board has not decided whether or not to change the stated use of proceeds raised from the Share Offer; and/or whether to make any investments in the PRC and Greater China region. Should the Board decide to make any change of the use of proceeds raised from the Share Offer in the future, the Company will make separate announcement as soon as practicable.

With regard to the use of Net Proceeds on strengthening the technological infrastructure of the Group, the Group has engaged an independent vendor to develop Platform A and Platform B (as defined in the Prospectus) and the vendor is in the midst of the design phase which includes:

Platform A: Interface of the diagnostic tool and teaser reports on website analysis

Platform B: Login page, interface to set-up campaign, interface and template of reports

The Group has employed the project manager as at the date of this announcement.

As at 30 June 2020, approximately HK\$40.65 million was paid to the vendor as advanced payment for developing Platform A and Platform B. The remaining Net Proceeds for the technological infrastructure will be utilised as follows:

- (i) approximately 25.0% will be utilised for Platform A when the development of Platform A is close to completion. Initially, it was stated as Q3 2021 in the interim report of the Company for the six months ended 31 December 2019 (the “Interim Report”). However, due to COVID-19, it is delayed and expected to be completed in Q1 2022;
- (ii) approximately 25.0% will be utilised for Platform B when the development of Platform B is close to completion. Initially, it was stated as Q4 2022 in the Interim Report. However, due to COVID-19, it is delayed and expected to be completed in Q2 2023; and
- (iii) approximately 25.0% will be utilised for the development of Platform C (as defined in the Prospectus). Considering the potential negative impact brought by the COVID-19, which may impact the timing of developing Platform C, the Group intends to extend the expected time for deploying the Net Proceeds for Platform C from Q4 2020 to Q2 2021.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company’s Listed Securities

During the financial year ended 30 June 2020, the Company did not redeem any of its listed securities nor did the Company or its subsidiaries purchase or sell such securities.

Annual General Meeting

The 2020 annual general meeting of the Company (the “2020 AGM”) is scheduled to be held on Friday, 20 November 2020. A notice convening the 2020 AGM will be published and dispatched to the shareholders of the Company (the “Shareholders”) in accordance with the requirements of the articles of association of the Company and the Listing Rules.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 17 November 2020 to Friday, 20 November 2020, both dates inclusive, during which period no transfer of Shares will be effected. In order to determine the identity of Shareholders who are entitled to attend and vote at the 2020 AGM, non-registered Shareholders must lodge all share transfer documents accompanied by the relevant share certificates for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 16 November 2020.

Compliance with the Corporate Governance Code

The Group is committed to implementing high standards of corporate governance to safeguard the interests of 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 Year 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 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, all other Directors (including the independent non-executive Directors (the "INEDs")) consider 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.

Code provision A.1.8 of the CG Code stipulates that a listed company should arrange appropriate insurance cover in respect of legal actions against its directors. There had been regular and timely communications among the Directors and the senior management of the Group, the Board was of the opinion that sound and effective corporate governance within the Group would suffice in monitoring and mitigating legal and regulatory compliance risks. Proper insurance coverage in respect of legal actions against the Directors' liabilities was arranged by the Company in early October 2019 and since then, the Company has complied with code provision A.1.8 of the CG Code.

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 Year), all such Directors have confirmed that they had complied with the Model Code during the Year.

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. Tan Eng Ann and Mr. Lee Shy Tsong. Mr. Tan Eng Ann 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 Annual Results

The consolidated financial results of the Group for FY2020 have been reviewed by the Audit Committee and the figures in respect of the Group’s consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows, and the related notes thereto for FY2020 as set out in this announcement have been agreed by our independent auditor, Deloitte & Touche LLP, to the amounts set out in the Group’s consolidated financial statements for FY2020. The Audit Committee is of the opinion that such results have been prepared in compliance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

Significant Events after the Reporting Period

On 16 June 2020, the Group entered into a sale and purchase agreement to purchase 20% of the entire issued share capital of Majestic for a total consideration of RMB12,000,000 (equivalent to approximately S\$2,400,000). The acquisition of Majestic was completed on 6 July 2020. Majestic, incorporated in the British Virgin Islands, is a holding entity of Show Times (Chongqing) Technology Co. Ltd., a limited liability company established in the People’s Republic of China and is principally engaged in real-time broadcasting through its mobile application.

On 10 July 2020, the Company held an extraordinary general meeting (the “EGM”) in relation to the proposed change of its dual foreign name in Chinese. The proposed change was approved by the Shareholders at the EGM and the dual foreign name in Chinese has been changed from “創世紀集團控股有限公司” to “秀商時代控股有限公司” with effect from 14 July 2020 and the English name of the Company remains unchanged as “AM Group Holdings Limited”.

Appreciation

The Board would like to take this opportunity to express its sincere gratitude to the management team and staff for their hard work and contributions, and to the Shareholders, investors and business partners for their trust and support.

Publication of Annual Results Announcement and Annual Report

The annual results announcement of the Company is published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.amgroup Holdings.com). The annual report of the Company for the year ended 30 June 2020 containing all the relevant information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course in the manner as required by the Listing Rules.

Retirement of INED and Cessation of Offices in Board Committees

Mr. Tan Eng Ann (“Mr. Tan”) has informed the Company that he will retire as an INED at the conclusion of the 2020 AGM and will not seek for re-election thereat in order to devote more time on his other business commitments.

Accordingly, Mr. Tan will cease to be the chairman of the Audit Committee and a member of each of the Board’s nomination committee (the “Nomination Committee”) and remuneration committee (the “Remuneration Committee”) with effect from the conclusion of the 2020 AGM.

In accordance with the requirements of Rule 13.51(2) of the Listing Rules, Mr. Tan has confirmed that he has no disagreement with the Board and there is no matter that needs to be brought to the attention to the Shareholders regarding his retirement and cessation above-mentioned. Save as disclosed above, there are no other matters concerning the aforesaid retirement and cessation that need to be brought to the attention of the Shareholders nor any information required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Following Mr. Tan's retirement and cessation effective from the conclusion of the 2020 AGM,

- (i) the Board will comprise only two INEDs, which will not fulfil the requirement of having three INEDs under Rule 3.10(1) of the Listing Rules; and
- (ii) the Audit Committee will comprise only two members, which will not fulfil the requirement of comprising a minimum of three members who are non-executive Directors under Rule 3.21 of the Listing Rules.

The Board is in the course of finding a suitable candidate to fill the vacancy occasioned by the retirement of Mr. Tan as an INED and his cessation of the chairman of the Audit Committee and a member of each of the Nomination Committee and Remuneration Committee. The Company will publish a further announcement for the appointment in due course.

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

Chairlady, Executive Director and Chief Executive Officer

Hong Kong, 30 September 2020

As at the date of this announcement, the Board of the Company comprises two Executive Directors, namely Ms. Teo Li Lian (Chairlady and Chief Executive Officer) and Mr. Teo Kuo Liang; one Non-executive Director, namely Ms. Zhang Hong; and three Independent Non-executive Directors, namely Mr. Chung Kwok Hoe, Mr. Tan Eng Ann and Mr. Lee Shy Tsong.