# AM GROUP HOLDINGS LIMITED
# 秀 商 時 代 控 股 有 限 公 司

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

**(Stock Code: 1849)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2021

### FINANCIAL HIGHLIGHTS

**Revenue**

Total revenue increased by approximately 120% from S$24.7 million for the year ended 30 June 2020 to S$54.4 million for the year ended 30 June 2021. It was mainly driven by the revenue from the newly acquired subsidiary, Majestic State International Limited ("MSIL") which contributed an amount of approximately S$31.1 million for the year ended 30 June 2021.

**Gross Profit Margin**

Total gross profit margin decreased slightly by approximately 2.2% from 35.1% for the year ended 30 June 2020 to 32.9% for the year ended 30 June 2021. It was mainly due to decrease in revenue segment of creative and technology services.

**Profit Attributable to Equity Shareholders**

Profit attributable to equity shareholders of the Company for the year ended 30 June 2021 amounted to approximately S$7.7 million, representing an increase of about 212% as compared to that of approximately S$2.5 million for the corresponding year of 2020. It was mainly driven by the profit after tax from the newly acquired subsidiary, MSIL which contributed an amount of approximately S$8.3 million for the year ended 30 June 2021.

**Final Dividend**

The Board does not recommend the payment of final dividend for the year ended 30 June 2021 (FY2020: 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 2021 ("FY2021" or the "Year") (the "Annual Results") together with the comparative information for the year ended 30 June 2020 ("FY2020").

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 30 June 2021*

| | *Notes* | **2021** **S$'000** | 2020 S$'000 |
|---|---|---|---|
| **Revenue** | *3* | **54,437** | 24,742 |
| Cost of services | | **(36,528)** | (16,050) |
| **Gross profit** | | **17,909** | 8,692 |
| Other income | *4* | **1,440** | 647 |
| Other gains or losses | *5* | **1,853** | 623 |
| Selling expenses | | **(3,038)** | (1,091) |
| General and administrative expenses | | **(6,552)** | (4,739) |
| Impairment losses under expected credit loss model, net of reversal | | **(1,165)** | (788) |
| Share of result of an associate | | **664** | — |
| Finance costs | *6* | **(67)** | (66) |
| Profit before taxation | | **11,044** | 3,278 |
| Income tax expense | *7* | **(1,624)** | (797) |
| **Profit for the year** | *8* | **9,420** | 2,481 |
| **Other comprehensive income:** | | | |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation of foreign operations | | **612** | * |
| **Total comprehensive income for the year** | | **10,032** | 2,481 |

* Amount less than S$1,000.

| | Notes | **2021** | 2020 |
|---|---|---|---|
| | | ***S$'000*** | *S$'000* |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | **7,732** | 2,481 |
| Non-controlling interests | | **1,688** | — |
| | | **9,420** | 2,481 |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the Company | | **8,297** | 2,481 |
| Non-controlling interests | | **1,735** | — |
| | | **10,032** | 2,481 |
| **Earnings per share (in Singapore cents)** | | | |
| Basic and diluted | *10* | **1.0** | 0.3 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2021*

| | Notes | 2021 S$'000 | 2020 S$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Plant and equipment | | **278** | 77 |
| Right-of-use assets | | **1,396** | 242 |
| Investment property | | **2,830** | 2,750 |
| Goodwill | | **13,853** | — |
| Intangible assets | | **8,295** | — |
| Deferred tax assets | | **—** | 44 |
| Deposit paid for development of technological infrastructure | | **2,858** | 7,692 |
| | | **29,510** | 10,805 |
| **Current assets** | | | |
| Trade and other receivables | *11* | **23,096** | 6,373 |
| Bank balances and cash | | **14,281** | 19,125 |
| | | **37,377** | 25,498 |
| **Current liabilities** | | | |
| Trade and other payables | *12* | **15,570** | 3,113 |
| Contract liabilities | | **4,779** | 2,839 |
| Lease liabilities | | **741** | 244 |
| Bank borrowings | | **134** | 107 |
| Income tax payable | | **2,065** | 908 |
| | | **23,289** | 7,211 |
| **Net current assets** | | **14,088** | 18,287 |
| **Total assets less current liabilities** | | **43,598** | 29,092 |
| **Non-current liabilities** | | | |
| Amount due to non-controlling interests | | **571** | — |
| Lease liabilities | | **665** | — |
| Bank borrowings | | **1,852** | 2,007 |
| | | **3,088** | 2,007 |
| **Net assets** | | **40,510** | 27,085 |

| | Notes | **2021** | 2020 |
|---|---|---|---|
| | | ***S$'000*** | *S$'000* |
| **Capital and reserves** | | | |
| Share capital | | **1,389** | 1,389 |
| Share premium | | **19,366** | 19,366 |
| Reserves | | **14,816** | 6,330 |
| **Equity attributable to owners of the Company** | | **35,571** | 27,085 |
| Non-controlling interests | | **4,939** | — |
| **Total equity** | | **40,510** | 27,085 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2021*

### 1. GENERAL INFORMATION

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

Its parent is Activa Media Investment Limited (incorporated in the British Virgin Islands). Its ultimate controlling parties are Ms. Teo Li Lian, the chairlady, an executive director and the chief executive officer of the Company and Mr. Teo Kuo Liang, an executive director of the Company.

The Company is an investment holding company and the Group is principally engaged in the provision of marketing services and operation of online e-commerce platform.

The consolidated financial statements are presented in Singapore dollars ("S$"), which is also the functional currency of the Company. All values are rounded to the nearest thousand ("S$'000"), except when otherwise indicated.

The consolidated financial statements are approved by the Board on 30 September 2021.

### 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

**Amendments to IFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 July 2020 for the preparation of the consolidated financial statements:

| | |
|---|---|
| Amendments to IAS 1 and IAS 8 | Definition of Material |
| Amendments to IFRS 3 | Definition of a Business |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | Interest Rate Benchmark Reform |
| Amendments to IFRS 16 | Covid-19-Related Rent Concessions |

The application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**New and amendments to IFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

| | |
|---|---|
| IFRS 17 | Insurance Contracts and the related Amendments[4] |
| Amendments to IFRS 3 | Reference to the Conceptual Framework[3] |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform — Phase 2[1] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5] |
| Amendment to IFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021[2] |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current[4] |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies[4] |
| Amendments to IAS 8 | Definition of Accounting Estimates[4] |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[4] |
| Amendments to IAS 16 | Property, Plant and Equipment — Proceeds before Intended Use[3] |
| Amendments to IAS 37 | Onerous Contracts — Cost of Fulfilling a Contract[3] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2018–2020[3] |

[1] Effective for annual periods beginning on or after 1 January 2021.
[2] Effective for annual periods beginning on or after 1 April 2021.
[3] Effective for annual periods beginning on or after 1 January 2022.
[4] Effective for annual periods beginning on or after 1 January 2023.
[5] Effective for annual periods beginning on or after a date to be determined.

The Directors expect that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 3. REVENUE AND SEGMENT INFORMATION

### Revenue

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

| | 2021<br>*S$'000* | 2020<br>*S$'000* |
|---|---|---|
| Search engine marketing services | **19,311** | 19,175 |
| Creative and technology services | **2,462** | 4,482 |
| Social media marketing services | **1,577** | 1,085 |
| Online platform management services | **29,471** | — |
| Online platform marketing services | **1,616** | — |
| | **54,437** | 24,742 |

| | 2021<br>*S$'000* | 2020<br>*S$'000* |
|---|---|---|
| **Timing of revenue recognition:** | | |
| Over time: | | |
| — Search engine marketing services | **19,311** | 19,175 |
| — Social media marketing services | **1,577** | 1,085 |
| — Online platform management services | **15,972** | — |
| — Online platform marketing services | **1,616** | — |
| | **38,476** | 20,260 |
| At point in time: | | |
| — Creative and technology services | **2,462** | 4,482 |
| — Online platform management services | **13,499** | — |
| | **15,961** | 4,482 |
| Total revenue | **54,437** | 24,742 |

### Segment information

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

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

1. Search engine marketing services — online marketing services in Singapore and Malaysia that involve the promotion of websites by increasing their visibility in search engine results pages primarily through paid advertising.

2. Creative and technology services — website development and hosting and other advertisement supporting services in Singapore and Malaysia.

3. Social media marketing services — online advertising services in Singapore and Malaysia that utilise the unique features of social media platform to deliver customised information to specific target customers.

4. Online e-commerce platform operation — technical services, commission for transaction proceeds and marketing services on the online e-commerce platform in the People's Republic of China (the "PRC").

During the year ended 30 June 2021, the Group commenced the business engaging in online e-commerce platform operation along with the acquisition of Majestic State International Limited ("Majestic State") and it is considered as a new operating and reportable segment by the CODM.

For online e-commerce platform operation, the information reported to the CODM is further categorised into online platform management services and online platform marketing services which are considered as a single reportable segment by the CODM.

During the year ended 30 June 2020, 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 2021**

| | **Search engine marketing services** *S$'000* | **Creative and technology services** *S$'000* | **Social media marketing services** *S$'000* | **Online e-commerce platform operation** *S$'000* | **Total** *S$'000* |
|---|---|---|---|---|---|
| **REVENUE** | | | | | |
| External sales and segment revenue | **19,311** | **2,462** | **1,577** | **31,087** | **54,437** |
| **RESULTS** | | | | | |
| Segment profit | **3,694** | **1,643** | **528** | **12,044** | **17,909** |
| Other income | | | | | **1,440** |
| Other gains or losses | | | | | **1,853** |
| Selling expenses | | | | | **(3,038)** |
| General and administrative expenses | | | | | **(6,552)** |
| Impairment losses under expected credit loss ("ECL") model, net of reversal | | | | | **(1,165)** |
| Share of result of an associate | | | | | **664** |
| Finance costs | | | | | **(67)** |
| Profit before taxation | | | | | **11,044** |

Year ended 30 June 2020

| | Search engine marketing services *S$'000* | Creative and technology services *S$'000* | Social media marketing services *S$'000* | Total *S$'000* |
|---|---|---|---|---|
| REVENUE | | | | |
| External sales and segment revenue | 19,175 | 4,482 | 1,085 | 24,742 |
| RESULTS | | | | |
| Segment profit | 4,672 | 3,778 | 242 | 8,692 |
| Other income | | | | 647 |
| Other gains | | | | 623 |
| Selling expenses | | | | (1,091) |
| General and administrative expenses | | | | (4,739) |
| Impairment losses under ECL model, net of reversal | | | | (788) |
| Finance costs | | | | (66) |
| Profit before taxation | | | | 3,278 |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of general and administrative expenses, selling expenses, finance costs, other income, other gains or losses, impairment losses under ECL model, net of reversal and share of result of an associate. 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 reporting period.

**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:

| | 2021 | 2020 |
|---|---|---|
| | ***S$'000*** | *S$'000* |
| Singapore (country of domicile) | **21,896** | 22,858 |
| Malaysia | **1,454** | 1,884 |
| PRC | **31,087** | — |
| | **54,437** | 24,742 |

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

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

| | 2021 | 2020 |
|---|---|---|
| | ***S$'000*** | *S$'000* |
| Singapore (country of domicile) | **11,046** | 3,103 |
| British Virgin Islands | **—** | 7,692 |
| Malaysia | **221** | 10 |
| PRC | **18,243** | — |
| | **29,510** | 10,805 |

***Information about major customers***

No single customer contributes over 10% or more of total revenue of the Group during the years ended 30 June 2021 and 2020.

## 4. OTHER INCOME

| | **2021** | 2020 |
|---|---|---|
| | ***S$'000*** | *S$'000* |
| Government grants *(Note)* | **1,147** | 301 |
| Rental income | **60** | 109 |
| Interest income from fixed deposits | **13** | 146 |
| Others | **220** | 91 |
| | **1,440** | 647 |

*Note:* Included in government grants during the year ended 30 June 2021 were mainly grant provided by Singapore Government for wages paid to local employees under the Job Support Scheme amounted to S$352,000 (2020: S$252,000) and rental subsidies provided by the PRC local government authority amounted to S$732,000 (2020: Nil). The grant income is recognised on a systematic basis over the estimated period of economic uncertainty in which the Group recognises the related costs.

## 5. OTHER GAINS OR LOSSES

| | **2021** | 2020 |
|---|---|---|
| | ***S$'000*** | *S$'000* |
| Net exchange gains | **420** | 623 |
| Fair value loss on contingent consideration | **(20)** | — |
| Fair value gain on step acquisition of a subsidiary | **1,453** | — |
| | **1,853** | 623 |

## 6. FINANCE COSTS

| | **2021** | 2020 |
|---|---|---|
| | ***S$'000*** | *S$'000* |
| Interest on bank borrowings | **40** | 58 |
| Interest on lease liabilities | **27** | 8 |
| | **67** | 66 |

## 7. INCOME TAX EXPENSE

| | 2021 | 2020 |
|---|---|---|
| | ***S$'000*** | *S$'000* |
| Tax expense comprises: | | |
| Current tax: | | |
| — Singapore corporate income tax ("CIT") | **—** | 650 |
| — Malaysia corporate tax | **36** | 83 |
| — PRC enterprise income tax ("EIT") | **1,469** | — |
| Under provision from prior years | **75** | 76 |
| Deferred tax | **44** | (12) |
| | **1,624** | 797 |

No provision for Singapore CIT has been made as no assessable profit arises in, nor is derived from, Singapore during the year ended 30 June 2021.

Singapore CIT is calculated at 17% of the estimated assessable profit for the year ended 30 June 2020.

Malaysia corporate tax is calculated at 24% (2020: 24%) of the estimated assessable profit for the year ended 30 June 2021.

According to the announcement of "The State Administration of Taxation on issues concerning EIT related with enhancing the Western Region Development Strategy"* (國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知), the Group's PRC subsidiaries were registered with the local tax authority to be eligible to the reduced EIT rate of 15% from 2011 to 2020. According to the extension announcement of "The State Administration of Taxation on extension on EIT related with enhancing the Western Region Development Strategy"* (國家稅務總局關於延續西部大開發企業所得稅政策的公告), the Group's PRC subsidiaries will be further eligible to the reduced EIT rate of 15% from 2021 to 2030. Accordingly, PRC EIT is calculated at a preferential income tax rate of 15% for the year ended 30 June 2021.

* *for identification purposes only*

## 8. PROFIT FOR THE YEAR

| | **2021** | 2020 |
|---|---|---|
| | ***S$'000*** | *S$'000* |
| Profit for the year has been arrived at after charging/(crediting): | | |
| Directors' emoluments: | | |
| Fees | **75** | 90 |
| Salaries, allowances and other benefits | **971** | 1,328 |
| Discretionary bonuses | **1,200** | 50 |
| Retirement benefit scheme contributions | **36** | 44 |
| | **2,282** | 1,512 |
| Other staff costs: | | |
| Salaries, allowances and other benefits | **4,703** | 3,258 |
| Retirement benefit scheme contributions | **453** | 399 |
| | **5,156** | 3,657 |
| Total staff costs | **7,438** | 5,169 |
| Auditors' remuneration | **226** | 185 |
| Online e-commerce platform license fee (included in cost of services) | **8,861** | — |
| Depreciation expenses: | | |
| — Investment property | **63** | 68 |
| — Plant and equipment | **110** | 79 |
| — Right-of-use assets | **582** | 259 |
| Loss on written off of plant and equipment | **4** | 4 |
| Amortisation of intangible assets | **32** | — |
| Impairment loss on trade receivables, net of reversal | **1,165** | 788 |
| Impairment loss on investment property | **—** | 245 |
| Reversal of impairment loss on investment property | **(143)** | — |
| Gross rental income from an investment property | **(60)** | (109) |
| Less: direct operating expenses incurred for investment property that generated rental income during the year | **63** | 68 |
| | **3** | (41) |

## 9. DIVIDENDS

No dividends were paid or proposed during the years ended 30 June 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

## 10. EARNINGS PER SHARE

| | **2021** | 2020 |
|---|---|---|
| Profit attributable to the owners of the Company *(S$'000)* | **7,732** | 2,481 |
| Weighted average number of ordinary shares in issue *('000)* | **800,000** | 800,000 |
| Basic and diluted earnings per share *(Singapore cents)* | **1.0** | 0.3 |

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 ordinary shares in issue.

Diluted earnings per share is the same as the basic earnings per share because the Company had no potential dilutive securities that were convertible into shares during the years ended 30 June 2021 and 2020.

## 11. TRADE AND OTHER RECEIVABLES

| | **2021**<br>***S$'000*** | 2020<br>*S$'000* |
|---|---|---|
| Trade receivables | **17,121** | 4,613 |
| Unbilled revenue | **828** | 2,029 |
| | **17,949** | 6,642 |
| Less: allowance for ECL | **(1,771)** | (852) |
| | **16,178** | 5,790 |
| Deposits | **4,209** | 54 |
| Prepayments | **2,223** | 86 |
| Staff loans | **255** | 309 |
| Government grant receivables | **—** | 120 |
| Other receivables | **231** | 14 |
| Total | **23,096** | 6,373 |

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.

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

| | 2021 | 2020 |
|---|---|---|
| | *S$'000* | *S$'000* |
| Unbilled revenue | **793** | 1,994 |
| Less than 30 days | **4,014** | 1,125 |
| 31 to 60 days | **4,601** | 614 |
| 61 to 90 days | **4,257** | 393 |
| Over 90 days | **2,513** | 1,664 |
| | **16,178** | 5,790 |

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 Company, 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 debtors based on different groups of debtors which share common risk characteristics that are representatives of the debtors' 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 2021 and 2020.

## 12. TRADE AND OTHER PAYABLES

| | 2021 | 2020 |
|---|---|---|
| | *S$'000* | *S$'000* |
| Trade payables | **12,803** | 1,986 |
| Accrued expenses | **1,989** | 326 |
| Deposits received | **246** | 250 |
| Goods and services tax payables | **401** | 280 |
| Deferred government grant income | **—** | 179 |
| Other payables | **131** | 92 |
| | **15,570** | 3,113 |

The aging analysis of the trade payables based on invoice date at the end of each reporting period is as follows:

| | 2021 | 2020 |
|---|---|---|
| | *S$'000* | *S$'000* |
| 1 to 30 days | **5,085** | 1,021 |
| 31 to 60 days | **4,862** | 954 |
| 61 to 90 days | **2,824** | 5 |
| 91 to 120 days | **32** | 6 |
| | **12,803** | 1,986 |

Deferred government grant income of S$179,000 as at 30 June 2020 related to Job Support Scheme provided by the Singapore Government and the entire amount was recognised as government grant income during the year ended 30 June 2021.

## 13. ACQUISITION OF A BUSINESS

On 6 July 2020, the Group completed acquisition of 20% equity interest in Majestic State. The Directors determined that the Group had significant influence over Majestic State and Majestic State was accounted for as an associate using equity method of accounting. On 30 November 2020, the Group completed acquisition of additional 60% equity interest in Majestic State at an initial consideration of RMB60,000,000 (equivalent to S$12,186,000), which shall be adjusted upward to a maximum of RMB66,000,000 (equivalent to S$13,405,000) if the actual audited consolidated net profit after tax of Show Times (Chongqing) Technology Company Limited ("Show Times Technology"), principal operating subsidiary of Majestic State for the financial year ended 31 December 2020 is not less than RMB11,000,000 ("2020 Guarantee Profit"). The profit guarantee was provided by the vendor and personally guaranteed by Mr. Mu Lei, majority beneficial owner of the vendor and an executive director of the Company, and this constitutes continued connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

As a result of the step acquisition, the Group's equity interest in Majestic State increases from 20% to 80%. The Group obtained effective control over Majestic State and its subsidiaries ("Majestic State Group"). Majestic State Group became subsidiaries of the Company and the results of Majestic State Group are consolidated into the Group's consolidated financial statements commencing from 30 November 2020. The Directors are of the view that the acquisition provides an opportunity for the Group to enter into the online e-commerce industry and diversify the business operations and client base of the Group.

The Group accordingly remeasured the fair value of its pre-existing interest in Majestic State at the acquisition date and recognised a gain on step acquisition of S$1,453,000 to the consolidated profit or loss.

Details of the carrying value and fair value of the Group's pre-existing interest in Majestic State at the acquisition date are summarised as follows:

| | |
|---|---|
| | ***S$'000*** |
| Fair value of pre-existing interest at acquisition date | **4,500** |
| Less: carrying value of pre-existing interest at acquisition date | **(3,047)** |
| Gain on step acquisition | **1,453** |

**Consideration transferred**

| | |
|---|---|
| | ***S$'000*** |
| Cash | **12,186** |
| Contingent consideration payable *(Note)* | **1,199** |
| | **13,385** |

*Note:* Based on the sale and purchase agreement, RMB6,000,000 (equivalent to S$1,219,000) of the total consideration would be adjusted depending on the extent of the fulfillment of 2020 Guarantee Profit. This amount represents the estimated fair value of this contingent consideration. Since Show Times Technology has achieved the 2020 Guarantee Profit, RMB6,000,000 (equivalent to S$1,219,000) was paid in full and a fair value loss of contingent consideration of S$20,000 was recognised during the year ended 30 June 2021.

Acquisition-related costs amounting to S$396,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "general and administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

**Assets acquired and liabilities recognised at the date of acquisition**

| | |
|---|---|
| | ***S$'000*** |
| Plant and equipment | **90** |
| Right-of-use assets | **520** |
| Intangible assets | **599** |
| Trade and other receivables | **10,337** |
| Bank balances and cash | **888** |
| Trade and other payables | **(2,773)** |
| Contract liabilities | **(2,303)** |
| Lease liabilities | **(514)** |
| Income tax payable | **(1,380)** |
| | **5,464** |

**Non-controlling interests**

The non-controlling interests (20%) in Majestic State recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Majestic State and amounted to S$1,093,000.

**Goodwill arising on acquisition**

| | ***S$'000*** |
|---|---|
| Consideration transferred | **13,385** |
| Add: non-controlling interests | **1,093** |
| fair value of pre-existing interest at acquisition date | **4,500** |
| | **18,978** |
| Less: recognised amounts of net assets acquired | **(5,464)** |
| Goodwill arising on acquisition | **13,514** |

Goodwill arose in the acquisition of Majestic State because the cost of the combination included a control premium. In addition, the consideration for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Majestic State. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

## 14. COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform with the current year's presentation of the consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Introduction

The Group is principally engaged in the provision of search engine marketing services, social media marketing services, creative and technology services as well as online e-commerce platform operation in Singapore, Malaysia and China.

With the inclusion of our newly-acquired subsidiaries in the past year — Majestic State International Limited and its subsidiaries (collectively, the "MSIL Group") — our services now stretch into the burgeoning Chinese market, where we are engaged in the operation of e-commerce platforms, real-time broadcasting, short-form mobile videos and applications.

Established in 2005, we were one of the earliest players in the budding field of digital marketing as we set out with the simple yet ambitious goal of wanting to create value for small and medium enterprises through an effective, personalised and comprehensive digital strategy.

In the 16 years that followed, we have amassed significant industry know-hows, strategic partnerships and numerous industry awards as well as our very own proprietary technologies, with more in the works.

Now into our third year listed on the Main Board of the Stock Exchange, we will continue to enhance, expand and diversify our services, and constantly provide better value to our customers and shareholders.

### Business Overview and Prospects

The past year has no doubt been a challenging one, due to the COVID-19 pandemic significantly disrupting businesses and individuals around the world. Our industry was greatly affected too, as businesses scrambled to cut marketing budgets and paused various promotional campaigns.

However, unlike industries such as tourism and aviation which practically ground to a halt, online marketing and advertising remained essential, as consumers and businesses — now forced to work remotely and limit social outings — had to pivot online more than ever before.

While a robust online presence may not fully make up for losses resulting from lost footfall, event restrictions and global supply trade disruptions, it certainly helped mitigate the impact; and we have helped many customers take this time to upgrade their websites, promote their services more actively on social media, set up and promote new teleconsultation services, and so on.

Most notably, the acquisition of the MSIL Group in the last year was instrumental in significantly contributing to our revenue and profit. In that regard, the Group will continue to identify promising and high-quality investments locally and regionally, so as to further expand the Group's range of services, customer base, overseas presence and revenue streams.

As a digital marketing agency, the Group has been fortunate to be able to conduct its operations remotely, which translates to minimal disruption to our workflow and campaigns. As Singapore gradually eases work and social restrictions amidst a high vaccination rate, the Group expects the demand for online marketing and advertising services to pick up in the 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; (iii) social media marketing services; and (iv) online e-commerce platform operation.

The following table sets forth the revenue breakdown by the four segments of the revenue for the Year and FY2020 indicated:

| | **Year ended 30 June** | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | | 2020 | | Variance | |
| | ***S$'000*** | *%* | *S$'000* | *%* | *S$'000* | *%* |
| Search engine marketing services | **19,311** | **35.5** | 19,175 | 77.5 | 136 | +0.7 |
| Creative and technology services | **2,462** | **4.5** | 4,482 | 18.1 | (2,020) | –45.1 |
| Social media marketing services | **1,577** | **2.9** | 1,085 | 4.4 | 492 | +45.3 |
| Online e-commerce platform operation | **31,087** | **57.1** | — | — | 31,087 | N/A |
| | **54,437** | **100.0** | 24,742 | 100.0 | 29,695 | +120.0 |

Overall, the total revenue of the Group increased by around 120% from approximately S$24.7 million for the year ended 30 June 2020 to approximately S$54.4 million for the year ended 30 June 2021. Such increase was driven by the revenue from online e-commerce platform operation from the MSIL Group of approximately S$31.1 million for the Year.

Revenue from search engine marketing services remaining stable, increased slightly by approximately 0.7% from S$19.2 million for the year ended 30 June 2020 to S$19.3 million for the year ended 30 June 2021. However, the revenue from the creative and technology services decreased by approximately 45% from S$4.5 million for FY2020 to S$2.5 million for FY2021, mainly due to a decrease in revenue on search engine optimization which caused by the outbreak of COVID-19 in Singapore and Malaysia as previously the Company organized events or roadshows to promote the revenue on search engine optimization.

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

***Cost of services***

Our cost of services increased by 128% from approximately S$16.1 million for the year ended 30 June 2020 to approximately S$36.5 million for the year ended 30 June 2021. The increase was in line with the increase in revenue.

***Other income***

Other income consisted of (i) government grants amounted to S$352,000 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 subsidies provided by the PRC local government authority amounted to S$732,000; (iii) rental income; (iv) interest income from fixed deposits; and (v) other income — mainly consisted of approximately S$85,000 of compensation from client for infringement of the Group's intellectual property right.

***Other gains or losses***

Our other gains or losses consisted of (a) net exchange gains arising from (i) our subsidiary in Malaysia; and (ii) the net proceeds received from the share offer, which were denominated in Hong Kong dollars; (b) fair value loss on contingent consideration amounted to S$20,000 which arose from differences between the fair value of contingent consideration and consideration paid upon fulfillment of profit guarantee; and (c) fair value gain on step acquisition of a subsidiary amounted to S$1,453,000 which arose from remeasurement of carrying value of pre-existing equity interest in MSIL amounted to S$3,047,000 to its fair value amounted to S$4,500,000 at acquisition date. The fluctuations of our exchange gains or losses were primarily arouse from movements in Hong Kong dollars and Singapore dollars exchange rates. During the FY2021, 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. The Group's selling expenses were approximately S$3.0 million in FY2021 and S$1.1 million in FY2020, representing approximately 5.6% (FY2020: 4.4%) of the Group's total revenue. The increase was mainly driven by the selling expenses from the newly acquired subsidiary, MSIL which accounted an amount of S$1.9 million of selling expenses, mainly due to salary to sales personnel of S$1.2 million.

***General and administrative expenses***

Our general and administrative expenses primarily consisted of staff costs, depreciation, rental expenses, entertainment expenses and office expenses. Our general and administrative expenses increased from approximately S$4.7 million in FY2020 to S$6.6 million in FY2021.

Such increase was mainly due to (i) higher staff costs of S$3.7 million in FY2021 (FY2020: S$2.8 million); (ii) higher impairment loss on trade receivables, net of reversal of approximately S$1.2 million in FY2021 (FY2020: S$0.8 million) due to the Group'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; and (iii) higher professional fee of approximately S$1.2 million incurred during the FY2021 (FY2020: S$0.3 million) due to engaged professional parties when acquired the subsidiary, MSIL and disposed 18% shares of Activa Media Holdings Limited to Eden Publishing Pte. Ltd.

***Finance costs***

Our finance costs are relatively stable at approximately S$0.07 million in FY2020 and FY2021. The effective interest rate on bank borrowings in FY2021 was at the range from 1.38% to 2.78% (FY2020: 2.48% to 2.78%).

***Income tax expense***

Our income tax expense consisted of provision for PRC, Singapore and Malaysia current income tax expense. The income tax expense increased by approximately 100% from approximately S$0.8 million in FY2020 to approximately S$1.6 million in FY2021. The increase was primarily due to the taxable profits from the MSIL Group.

***Profit for the year***

The Group reported an amount of approximately S$9.4 million profit for the Year (FY2020: S$2.5 million), which was mainly attributable by the Company's subsidiaries, MSIL Group, an amount of approximately S$8.3 million profit for the Year (FY2020: nil) as MSIL Group was acquired during the Year.

## FINANCIAL POSITIONS

As at 30 June 2021, our total equity was approximately S$40.5 million as compared to approximately S$27.1 million as at 30 June 2020. The increase was mainly attributable to the acquisition of subsidiaries, MSIL Group and the goodwill arising from the acquisition.

As at 30 June 2021, our net current assets were approximately S$14.1 million as compared to approximately S$18.3 million as at 30 June 2020. The decrease was mainly due to the increase in trade and other payables of approximately S$15.6 million as at 30 June 2021, compared to approximately S$3.1 million as at 30 June 2020.

## 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 Singapore, Malaysia and China.

### Borrowings

Our bank borrowings of approximately S$2.0 million as at 30 June 2021 were secured against investment property of the Group and guaranteed by a corporate guarantee given by the Company. As at 30 June 2021, all of the bank borrowings was denominated in Singapore dollars (30 June 2020: S$2.1 million was denominated in Singapore dollars). Among all the bank borrowings, 7% was repayable within one year, 7% was repayable more than one year but not exceeding two years, 18% was repayable more than two years but not exceeding five years and 68% was repayable more than five years.

### Charge on Assets

The bank borrowings as at 30 June 2021 were secured against investment property of the Group with carrying amount of approximately S$2.8 million as at 30 June 2021.

### Material Acquisition and Disposal of Subsidiaries and Associates and Joint Ventures

During the Year, the Company has acquired a group of subsidiaries — MSIL Group (details of which are disclosed in the announcements of the Company dated 23 November 2020 and 30 November 2020).

The Group also disposed of 18% shareholding in a wholly-owned subsidiary, Activa Media Holdings Limited. The net proceeds from this disposal, amounting to approximately S$2.2 million, will be strategically channeled towards the general working capital purposes of the Group (details of which are disclosed in the announcements of the Company dated 30 April 2021 and 4 May 2021).

Save as disclosed above, the Group did not have any material acquisition and disposal of subsidiaries and associates and joint ventures during the Year.

**Future Plans for Material Investments or Capital Assets and the Expected Sources of Funding**

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

**Gearing Ratio**

The gearing ratio of the Group as at 30 June 2021 was approximately 4.9% (30 June 2020: 7.8%). The gearing ratio is calculated as total interest-bearing liabilities divided by total equity as at the respective financial year end date. The decrease was mainly due to the increase in the Group's equity arising from retained earnings while the Group's total interest-bearing liabilities remained relatively stable.

**Foreign Exchange Exposure**

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

**Contingent Liabilities and Guarantees**

As at 30 June 2021, we did not have any unrecorded significant contingent liabilities, guarantees or any litigations against us (30 June 2020: nil).

**Capital Commitment**

| | **2021** | 2020 |
|---|---|---|
| | ***S$'000*** | *S$'000* |
| **Contracted, but not provided for:** | | |
| Commitments for development of a technological infrastructure | **4,799** | — |

## USE OF NET PROCEEDS FROM LISTING

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 26 June 2019 (the "Listing"). The Board, after considering the business operating environment and the development of the Group, has resolved to change the use of the unutilised net proceeds from the Listing (the "Net Proceeds") as set out in the announcement of the Company dated 29 October 2020 (the "Announcement"). Please refer to the Announcement for details of the change in use of the unutilised Net Proceeds. The 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 2021:

| | Intended use of Net Proceeds from the share offer (per Prospectus) | Approximate percentage of Net Proceeds | Revised allocation of Net Proceeds (as disclosed in the Announcement) | Approximate percentage of Net Proceeds | Amount utilised as at 30 June 2020 | Amount utilised during the Year | Remaining balance as at 30 June 2021 | Expected timeline to use unutilised Net Proceeds |
|---|---|---|---|---|---|---|---|---|
| | *HK$ million* | *%* | *HK$ million* | *%* | *HK$ million* | *HK$ million* | *HK$ million* | |
| Strengthening the technological infrastructure | 58.2 | 63.3 | 58.2 | 63.3 | 40.65 | — | 17.55 | Q4 2019 *Note* |
| Acquisition of a website development and hosting company | 26.2 | 28.5 | — | — | — | — | — | — |
| Establishment of a sales office in Johor Bahru, Malaysia | 5.3 | 5.7 | — | — | — | — | — | — |
| Working capital | 2.3 | 2.5 | 2.3 | 2.5 | — | 2.3 | — | — |
| Acquisition of additional interest in an associated company | — | — | 31.5 | 34.2 | — | 31.5 | — | — |
| | 92.0 | 100.0 | 92.0 | 100.0 | 40.65 | 33.8 | 17.55 | |

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

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 173 (30 June 2020: 73) employees and our employee remuneration for the year ended 30 June 2021 totalled approximately S$7.4 million (including salary, bonus, and other employee benefits). The employee remuneration was approximately S$5.2 million for the year ended 30 June 2020. The remuneration of our employees is determined based on their performance, experience, competence and market comparable. Their remuneration package includes salaries, bonus related to our performance, allowances and retirement benefit schemes for employees in Singapore, Malaysia and China. The Group also provides customised training to its staff to enhance their technical and product knowledge.

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

Furthermore, the Company has adopted a share option scheme (the "Scheme") for the purpose of providing incentives or rewards to eligible persons for their contributions to the Group. As no share option has been granted by the Company under the Scheme since the Listing, there was no share option outstanding as at 30 June 2021 and no share option was exercised or cancelled or lapsed during the Year.

## OTHER INFORMATION

### Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 30 June 2021, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell such securities.

### Annual General Meeting

The 2021 annual general meeting of the Company (the "2021 AGM") is scheduled to be held on Tuesday, 30 November 2021. A notice convening the 2021 AGM will be published and despatched 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 Thursday, 25 November 2021 to Tuesday, 30 November 2021, 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 2021 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 Wednesday, 24 November 2021.

**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 Li Lian ("Ms. Teo") currently holds both positions. Throughout the Group's history, Ms. Teo has held key leadership position of the Group and has been responsible for overall strategic planning, sales and marketing, management and operation of the Group. In order to achieve effective strategic planning and to monitor the implementation of such plans, the Board (including the independent non-executive Directors (the "INEDs")) considers that Ms. Teo is the best candidate for both positions and the present arrangements are beneficial to and in the interests of the Group and the Shareholders as a whole. As all major decisions are made in consultation with all the members of the Board, with the INEDs offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

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, all 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. Lee Shy Tsong and Ms. Zhang Hong. Mr. Chung Kwok Hoe is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review the financial information of the Group, oversee the Group's financial report system, risk management and internal control systems, provide advice and comments to the Board, and monitor the independence and objectivity of the external auditor.

**Review of Annual Results**

The consolidated financial results of the Group for FY2021 have been reviewed by the Audit Committee and the figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for FY2021 as set out in this announcement have been agreed by our independent auditor, HLB Hodgson Impey Cheng Limited. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement. 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.

**Appreciation**

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

**Publication of Annual Report**

The annual report of the Company for the year ended 30 June 2021 containing all the relevant information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.amgroupholdings.com) in due course in the manner as required by the Listing Rules.

By order of the Board
**AM Group Holdings Limited**
**Teo Li Lian**
*Chairlady, Executive Director and Chief Executive Officer*

Hong Kong, 30 September 2021

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