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AM GROUP HOLDINGS LIMITED

秀商時代控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1849)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

The board of directors of AM Group Holdings Limited (the “Company”, the “Directors” and the “Board”, respectively) announces the unaudited interim financial results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2021 (the “Reporting Period”) together with the relevant comparative figures.

FINANCIAL HIGHLIGHTS

Revenue of the Group for the Reporting Period was S\$34.0 million, representing an increase of 135% over the corresponding period last year.

Gross profit for the Reporting Period stood at S\$11.6 million, representing an increase of 175% over the corresponding period last year.

Profit for the Reporting Period stood at S\$5.6 million, representing an increase of 773% over the corresponding period last year. The increase was mainly due to the following reasons:

1. Increase revenue in Search Engine Marketing Services and Creative and Technology Services from approximately S\$9.0 million to approximately S\$10.1 million and from approximately S\$1.3 million to approximately S\$2.3 million respectively
2. Increase revenue in Online Platform Management Services from approximately S\$3.0 million to approximately S\$21.0 million

The Board has resolved not to declare any interim dividend in respect of the six months ended 31 December 2021 (six months ended 31 December 2020: nil).

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
For the six months ended 31 December 2021

		Six months ended	
		31 December	
	<i>Notes</i>	2021	2020
		<i>S\$'000</i>	<i>S\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	34,026	14,475
Cost of services		<u>(22,440)</u>	<u>(10,264)</u>
Gross profit		11,586	4,211
Other income	5	117	380
Other gains or losses	6	13	(425)
Selling expenses		(1,980)	(783)
General and administrative expenses		(3,333)	(2,884)
Impairment losses under expected credit loss model, net of reversal		134	(257)
Finance costs	7	(36)	(29)
Share of results of an associate		—	763
		<u> </u>	<u> </u>
Profit before taxation		6,501	976
Income tax expense	8	(930)	(338)
		<u> </u>	<u> </u>
Profit for the period	9	5,571	638
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of a foreign operation		285	273
		<u> </u>	<u> </u>
Total comprehensive income for the period		5,856	911
		<u> </u>	<u> </u>
Profit for the period attributable to:			
Owners of the Company		4,434	476
Non-controlling interests		1,137	162
		<u> </u>	<u> </u>
		5,571	638
		<u> </u>	<u> </u>
Total comprehensive income for the period attributable to:			
Owners of the Company		4,662	695
Non-controlling interests		1,194	216
		<u> </u>	<u> </u>
		5,856	911
		<u> </u>	<u> </u>
Earnings per share (in Singapore cent)			
Basic and diluted	11	0.55	0.06
		<u> </u>	<u> </u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	31 December 2021 S\$'000 (Unaudited)	30 June 2021 S\$'000 (Audited)
Non-current assets			
Plant and equipment	12	265	278
Right-of-use assets		1,966	1,396
Investment property		2,798	2,830
Goodwill		13,853	13,853
Intangible assets	13	8,274	8,295
Deposit paid for development of technological infrastructure	14	2,287	2,858
		29,443	29,510
Current assets			
Trade and other receivables	14	33,293	23,096
Bank balances and cash	15	10,140	14,281
		43,433	37,377
Current liabilities			
Trade and other payables	16	15,417	15,570
Contract liabilities	17	4,276	4,779
Lease liabilities	18	1,619	741
Bank borrowings	19	133	134
Income tax payable		2,900	2,065
		24,345	23,289
Net current assets		19,088	14,088
Total assets less current liabilities		48,531	43,598

		31 December	30 June
		2021	2021
	<i>Notes</i>	S\$'000	S\$'000
		(Unaudited)	(Audited)
Non-current liabilities			
Lease liabilities	18	379	665
Bank borrowings	19	1,786	1,852
Amount due to non-controlling interests		—	571
		<u>2,165</u>	<u>3,088</u>
Net assets		<u>46,366</u>	<u>40,510</u>
Capital and reserves			
Share capital	20	1,389	1,389
Share premium	21	19,478	19,366
Reserves		19,366	14,816
		<u>40,233</u>	<u>35,571</u>
Equity attributable to owners of the Company		<u>40,233</u>	<u>35,571</u>
Non-controlling interests		6,133	4,939
		<u>46,366</u>	<u>40,510</u>
Total equity		<u>46,366</u>	<u>40,510</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2021

	Attributable to owners of the Company						Sub-total S\$'000	Non- controlling interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Share premium S\$'000	Merger reserve S\$'000	Translation reserve S\$'000	Statutory reserve S\$'000	Retained earnings S\$'000			
As at 1 July 2020 (Audited)	1,389	19,366	220	92	—	6,018	27,085	—	27,085
Profit for the period	—	—	—	—	—	476	476	162	638
Other comprehensive income for the period:									
Exchange differences on translation of a foreign operation	—	—	—	219	—	—	219	54	273
Total comprehensive income	—	—	—	219	—	476	695	216	911
Non-controlling interest arising from acquisition of a subsidiary	—	—	—	—	—	—	—	948	948
As at 31 December 2020 (Unaudited)	<u>1,389</u>	<u>19,366</u>	<u>220</u>	<u>311</u>	<u>—</u>	<u>6,494</u>	<u>27,780</u>	<u>1,164</u>	<u>28,944</u>
As at 1 July 2021 (Audited)	1,389	19,366	220	657	366	13,573	35,571	4,939	40,510
Profit for the period	—	—	—	—	—	4,434	4,434	1,137	5,571
Other comprehensive income for the period:									
Exchange differences on translation of a foreign operation	—	—	—	228	—	—	228	57	285
Total comprehensive income	—	—	—	228	—	4,434	4,662	1,194	5,856
Transfer of reserve	—	—	—	—	401	(401)	—	—	—
As at 31 December 2021 (Unaudited)	<u>1,389</u>	<u>19,366</u>	<u>220</u>	<u>885</u>	<u>767</u>	<u>17,606</u>	<u>40,233</u>	<u>6,133</u>	<u>46,366</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 31 December 2021

	Six months ended	
	31 December	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before taxation	6,501	976
Adjustments for:		
Amortisation of intangible assets	33	6
Depreciation of plant and equipment	46	57
Depreciation of investment property	32	32
Depreciation of right-of-use assets	494	127
Finance costs	36	29
Interest income	—	(13)
Bad debts directly written back	—	(2)
Impairment loss, net of reversal on trade receivables	(134)	257
Loss on written off of plant & equipment	(2)	—
Exchange difference	—	53
Share of results of an associate	—	(763)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	7,006	759
Movements in working capital:		
Increase in trade and other receivables	(929)	(7,037)
Decrease/(increase) in trade and other payables	(155)	7,731
Decrease/(increase) in contract liabilities	(503)	2,023
	<hr/>	<hr/>
Cash generated from operations	5,419	3,476
Interest paid on lease liabilities	(22)	(2)
Income tax paid	(95)	(800)
	<hr/>	<hr/>
NET CASH GENERATED FROM OPERATING ACTIVITIES	5,302	2,674
	<hr/>	<hr/>
INVESTING ACTIVITIES		
Interest received from time deposits	—	13
Purchase of plant and equipment	(31)	(282)
Proceed from disposal of property, plant and equipment	—	3
Net cash outflow on acquisition of a subsidiary	—	(9,971)
Deposit paid to intangible assets	(8,562)	(183)
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(8,593)	(10,420)
	<hr/>	<hr/>

	Six months ended	
	31 December	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
Repayment of bank borrowings	(67)	(61)
Interest paid	(14)	(27)
Repayment of advance from non-controlling interests	(572)	—
Repayment of leasing liabilities	(462)	(127)
	<u>(1,115)</u>	<u>(215)</u>
NET CASH USED IN FINANCING ACTIVITIES		
	(1,115)	(7,961)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(4,406)	(7,961)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	14,281	19,125
Effect of foreign exchange rate changes	265	5
	<u>265</u>	<u>5</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	10,140	11,169
	<u><u>10,140</u></u>	<u><u>11,169</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 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 address 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 are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 26 June 2019.

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are provision of digital media services, provision of marketing services and operation of online e-commerce platform.

Other than the subsidiaries of the Company established in the People’s Republic of China (the “PRC”) whose functional currency is Renminbi (“RMB”) and the subsidiaries of the Company established in Malaysia whose functional currency is Ringgit (“MYR”), the functional currency of the remaining subsidiaries of the Company established in Singapore is Singapore dollars (“S\$”).

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

2. BASIS OF PREPARATION

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

The Condensed Consolidated Interim Financial Statements should be read in conjunction with the Company’s consolidated financial statements for the year ended 30 June 2021. The accounting policies and method of computation adopted for the condensed consolidated financial statements are consistent with those adopted in the audited financial statements for the year ended 30 June 2021 and the particulars of the Group’s adoption of new and amended standards are set out below.

3. APPLICATION OF NEW AND REVISED IFRSs

During the period, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 July 2021. The application of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior periods. The Group has not early applied the new and revised IFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these new standards, amendments and interpretations will have no material impact on the unaudited condensed consolidated financial statements of the Group.

4. REVENUE AND SEGMENT INFORMATION

Revenue

The analysis of the Group's revenue for the Reporting Period is as follow:

	Six months ended 31 December	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
	(Unaudited)	(Unaudited)
Search engine marketing services	10,055	9,008
Creative and technology services	2,328	1,280
Social media marketing services	649	840
Online platform management services	20,981	2,957
Online platform marketing services	13	390
	<u>34,026</u>	<u>14,475</u>
	Six months ended 31 December	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
	(Unaudited)	(Unaudited)
Timing of revenue recognition:		
Over time:		
— Search engine marketing services	10,055	9,008
— Social media marketing services	649	840
— Online platform management services	7,755	2,402
— Online platform marketing services	13	390
	<u>18,472</u>	<u>12,640</u>
At point in time:		
— Creative and technology services	2,328	1,280
— Online platform management services	13,226	555
	<u>15,554</u>	<u>1,835</u>
	<u>34,026</u>	<u>14,475</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 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 (2020: 7 days) to its customers.

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 been 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 (2020: 7 days) to its customers.

The Group provides online platform management services which include commission income and technical service income. Commission income is recognised at a point in time when merchant transactions are completed on online e-commerce platform. The commission are generally determined as a percentage based on the value of merchandise being sold by the merchants. All merchant transactions are cleared through online payment processing service providers with credit terms of 7 days. Technical service income is recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance. Revenue is recognised for technical service based on the stage of completion of the contract using output method. The Group generally provides credit terms of 180 days to its customers.

The Group provides online platform 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. Revenue is recognised for online platform marketing services based on the stage of completion of the contract using input method. The Group generally requires customers to provide upfront payments of entire contract sum, when the Group receives a deposit before service commences, this will give rise to contract liabilities at the start of a contract. The period of these services is generally within 1 year. Revenues recognised from these services are based on a fixed fee. The Group generally provides credit terms of 30 days to its customers.

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

Segment information

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

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 segment.

For the six months ended 31 December 2021

	Search engine marketing services <i>S\$'000</i> (Unaudited)	Creative and technology services <i>S\$'000</i> (Unaudited)	Social media marketing services <i>S\$'000</i> (Unaudited)	Online e-commerce platform operation <i>S\$'000</i> (Unaudited)	Total <i>S\$'000</i> (Unaudited)
REVENUE					
External sales and segment revenue	<u>10,055</u>	<u>2,328</u>	<u>649</u>	<u>20,994</u>	<u>34,026</u>
RESULTS					
Segment profit	<u>2,619</u>	<u>1,978</u>	<u>165</u>	<u>6,824</u>	11,586
Other income					117
Other gains					13
Selling expenses					(1,980)
General and administrative expenses					(3,333)
Impairment losses under expected credit loss ("ECL") model, net of reversal					134
Finance costs					<u>(36)</u>
Profit before taxation					<u>6,501</u>

For the six months ended 31 December 2020

	Search engine marketing services <i>S\$'000</i> (Unaudited)	Creative and technology services <i>S\$'000</i> (Unaudited)	Social media marketing services <i>S\$'000</i> (Unaudited)	Online e-commerce platform operation <i>S\$'000</i> (Unaudited)	Total <i>S\$'000</i> (Unaudited)
REVENUE					
External sales and segment revenue	<u>9,008</u>	<u>1,280</u>	<u>840</u>	<u>3,347</u>	<u>14,475</u>
RESULTS					
Segment profit	<u>1,353</u>	<u>878</u>	<u>284</u>	<u>1,696</u>	4,211
Other income					380
Other losses					(425)
Selling expenses					(783)
General and administrative expenses					(2,884)
Impairment losses under ECL model, net of reversal					(257)
Share of results of an associate					763
Finance costs					<u>(29)</u>
Profit before taxation					<u>976</u>

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

	Six months ended 31 December	
	2021 S\$'000 (Unaudited)	2020 S\$'000 (Unaudited)
Singapore (country of domicile)	12,418	10,391
Malaysia	614	737
PRC	20,994	3,347
	<u>34,026</u>	<u>14,475</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.

	31 December 2021 S\$'000 (Unaudited)	30 June 2021 S\$'000 (Audited)
	Singapore (country of domicile)	10,896
Malaysia	190	221
PRC	18,357	18,243
	<u>29,443</u>	<u>29,510</u>

Information about major customers

No single customer contributes over 10% or more of total revenue of the Group during the six months ended 31 December 2021 and 2020.

5. OTHER INCOME

	Six months ended 31 December	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
	(Unaudited)	(Unaudited)
Government grants (<i>Note</i>)	31	287
Rental income	60	—
Interest income	—	13
Others	26	80
	<u>117</u>	<u>380</u>

Note: Included in government grants during the period ended 31 December 2021 is an amount of S\$17,400 relating to grant provided by Singapore Government for purchasing remote working laptop suite and payroll system (2020: nil).

6. OTHER GAINS OR LOSSES

	Six months ended 31 December	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
	(Unaudited)	(Unaudited)
Net exchange gains/(losses)	13	(425)

7. FINANCE COSTS

	Six months ended 31 December	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings	14	27
Interest on lease liabilities	22	2
	<u>36</u>	<u>29</u>

8. INCOME TAX EXPENSE

	Six months ended 31 December	
	2021	2020
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Tax expense comprises:		
Current tax:		
— Singapore corporate income tax (“CIT”)	485	—
— Malaysia corporate tax	—	9
— PRC enterprise income tax (“EIT”)	460	272
(Over)/under provision from prior years	(20)	14
Deferred tax	5	43
	<u>930</u>	<u>338</u>

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

Malaysia corporate tax is calculated at 24% of the estimated assessable profit for the six months ended 31 December 2020.

No provision for Malaysia corporate tax has been made as no assessable profit arises in, nor is derived from, Malaysia during the six months ended 31 December 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 period.

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

	Six months ended 31 December	
	2021	2020
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Profit before taxation	<u>6,501</u>	<u>976</u>
Tax at Singapore CIT rate of 17%	1,105	166
Tax effect of income tax not taxable for tax purpose	84	(102)
Tax effect of different tax rate in foreign jurisdiction	(203)	91
Tax effect of expenses not deductible for tax purpose	(9)	169
Effect of tax concessions and partial tax exemption	(32)	—
Effect of deferred tax not recognised	5	—
(Over)/under provision from prior years	(20)	14
	<u>930</u>	<u>338</u>

* For identification purpose only

9. PROFIT FOR THE PERIOD

	Six months ended 31 December	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Directors' emoluments:		
Fees	33	44
Salaries, allowances and other benefits	480	700
Retirement benefit scheme contributions	15	24
	<u>528</u>	<u>768</u>
Other staff costs:		
Salaries, allowances and other benefits	2,942	1,495
Retirement benefit scheme contributions	150	188
	<u>3,092</u>	<u>1,683</u>
Total staff costs	<u><u>3,620</u></u>	<u><u>2,451</u></u>
Auditors' remuneration	196	96
Depreciation expenses:		
Investment property	32	32
Plant and equipment	46	57
Right-of-use assets	494	127
Amortisation of intangible assets	33	—
Bad debt directly written back	—	(2)
Impairment loss on trade receivables, net of reversal	(134)	257
Gross rental income from an investment property	(60)	—
Less: direct operating expenses incurred for investment property that generated rental income during the period	32	32
	<u><u>(28)</u></u>	<u><u>32</u></u>

10. DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months period ended 31 December 2021 (six months ended 31 December 2020: nil).

11. EARNINGS PER SHARE

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

	Six months ended 31 December	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to the owners of the Company (<i>S\$'000</i>)	4,434	476
Weighted average number of ordinary shares in issue (<i>'000</i>)	800,000	800,000
Basic and diluted earnings per share (Singapore cent)	<u>0.55</u>	<u>0.06</u>

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

12. MOVEMENT IN PLANT AND EQUIPMENT

During the six months ended 31 December 2021, the Group acquired plant and equipment at a total cost of approximately S\$31,000 (six months ended 31 December 2020: S\$282,000). In addition, there was a disposal of plant and equipment at cost of approximately S\$4,000 during the six months ended 31 December 2021 (31 December 2020: S\$3,686).

As at 31 December 2021, plant and equipment with carrying amount of approximately S\$265,000 (30 June 2021: S\$278,000).

13. INTANGIBLE ASSETS

	Development costs <i>S\$'000</i>	Trademark <i>S\$'000</i>	Software <i>S\$'000</i>	Total <i>S\$'000</i>
Cost:				
As at 1 July 2021	7,692	49	587	8,328
Exchange adjustments	—	3	15	18
As at 31 December 2021	<u>7,692</u>	<u>52</u>	<u>602</u>	<u>8,346</u>
Accumulated amortisation:				
As at 1 July 2021	—	2	31	33
Amortisation	—	3	30	33
Exchange adjustments	—	1	5	6
As at 31 December 2021	<u>—</u>	<u>6</u>	<u>66</u>	<u>72</u>
Carrying values:				
As at 31 December 2021	<u>7,692</u>	<u>46</u>	<u>536</u>	<u>8,274</u>

14. TRADE AND OTHER RECEIVABLES

	31 December 2021 S\$'000 (Unaudited)	30 June 2021 S\$'000 (Audited)
Current assets:		
Trade receivables	17,982	17,121
Unbilled revenue	<u>998</u>	<u>828</u>
	18,980	17,949
Less: allowance for ECL	<u>(1,220)</u>	<u>(1,771)</u>
	<u>17,760</u>	<u>16,178</u>
Deposits	12,773	4,209
Prepayments	2,469	2,223
Staff loans	234	255
Other receivables	<u>57</u>	<u>231</u>
Total	<u>33,293</u>	<u>23,096</u>
Non-current assets:		
Deposits paid for development of technological infrastructure	<u>2,287</u>	<u>2,858</u>
Total	<u>2,287</u>	<u>2,858</u>

The Group generally requires advance payments and deposits from customers and the average credit period on the service rendered is 7 days (2020: 7 days).

The table below is an 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.

	31 December 2021 S\$'000 (Unaudited)	30 June 2021 S\$'000 (Audited)
Unbilled revenue	951	793
Less than 30 days	1,704	4,014
31–60 days	816	4,601
61–90 days	1,601	4,257
Over 90 days	<u>12,688</u>	<u>2,513</u>
	<u>17,760</u>	<u>16,178</u>

Movement in lifetime ECL recognised in accordance with simplified approach set out in IFRS 9:

	Lifetime ECL — not credit- impaired S\$'000	Lifetime ECL — credit impaired S\$'000	Total S\$'000
As at 1 July 2020	100	752	852
Amounts charged to profit or loss	96	1,069	1,165
Written off	—	(246)	(246)
	<hr/>	<hr/>	<hr/>
As at 30 June 2021 and 1 July 2021	196	1,575	1,771
Amounts charged to profit or loss	—	(134)	(134)
Written off	(96)	(321)	(417)
	<hr/>	<hr/>	<hr/>
As at 31 December 2021	100	1,120	1,220
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

15. BANK BALANCES AND CASH

	31 December 2021 S\$'000 (Unaudited)	30 June 2021 S\$'000 (Audited)
Cash at bank and on hand	10,140	14,281
	<hr/> <hr/>	<hr/> <hr/>

16. TRADE AND OTHER PAYABLES

	31 December 2021 S\$'000 (Unaudited)	30 June 2021 S\$'000 (Audited)
Trade payables	7,925	12,803
Accrued expenses	723	1,989
Deposit received	246	246
Goods and services tax payables	387	401
Other payables	6,136	131
	<hr/>	<hr/>
	15,417	15,570
	<hr/> <hr/>	<hr/> <hr/>

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

	31 December 2021 S\$'000 (Unaudited)	30 June 2021 S\$'000 (Audited)
1 to 30 days	2,032	5,085
31 to 60 days	1,194	4,862
61 to 90 days	—	2,824
91 to 120 days	4,699	32
	<u>7,925</u>	<u>12,803</u>

17. 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:

	31 December 2021 S\$'000 (Unaudited)	30 June 2021 S\$'000 (Audited)
At the beginning of period/year	4,779	2,839
Acquired of acquisition of subsidiaries	—	2,303
Receipt from customers upon entering sales contracts during the period/year	17,969	23,713
Revenue recognised that was included in the contract liabilities balance at the beginning of the period/year	(4,779)	(2,839)
Revenue recognised during the year that was related to receipt from customers in the same period/year	(13,693)	(20,889)
	<u>—</u>	<u>(348)</u>
At end of period/year	<u>4,276</u>	<u>4,779</u>

18. LEASE LIABILITIES

	31 December 2021 S\$'000 (Unaudited)	30 June 2021 S\$'000 (Audited)
Maturity analysis:		
— Within one year	1,043	777
— Later than one year but not later than two years	961	506
— Later than two years but not later than five years	88	179
	<u>2,092</u>	<u>1,462</u>
Less: Unearned interest	<u>(94)</u>	<u>(56)</u>
	<u><u>1,998</u></u>	<u><u>1,406</u></u>
	31 December 2021 S\$'000 (Unaudited)	30 June 2021 S\$'000 (Audited)
Analysed as:		
Current	1,619	741
Non-Current	379	665
	<u>1,998</u>	<u>1,406</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.

19. BANK BORROWINGS

	31 December 2021 S\$'000 (Unaudited)	30 June 2021 S\$'000 (Audited)
Secured mortgage loans	<u>1,919</u>	<u>1,986</u>

Note: The bank borrowings are guaranteed by the Company and secured by the investment property of the Group. The personal guarantee given by Ms. Teo Li Lian and Mr. Teo Kuo Liang has been released on 11 March 2020 and replaced by a corporate guarantee given by the Company.

The range of effective interest rates of the Group's bank borrowing at 1.38%–1.58% for period ended 31 December 2021 (1.38%–2.78% for year ended 30 June 2021).

20. SHARE CAPITAL

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

	Number of shares	Par value <i>HK\$</i>	Share capital <i>HK\$'000</i>
At 1 July 2020, 30 June 2021 and 31 December 2021	<u>10,000,000,000</u>	<u>0.01</u>	<u>10,000</u>
		Number of shares	Share capital <i>S\$'000</i>
Issued and fully paid: At 1 July 2020, 30 June 2021 and 31 December 2021		<u>800,000,000</u>	<u>1,389</u>

21. SHARE PREMIUM

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview and Prospects

The Group, including its subsidiaries, is engaged in the field of online marketing, including search engine marketing, social media marketing, search engine optimisation, web design and development, as well as e-commerce. This has enabled us to provide customers with end-to-end solutions when it comes to building their online presence and expanding their reach.

Over the years, we have also invested heavily in developing new proprietary technologies such as a sophisticated real-time bidding algorithm platform and call-tracking technology. Works are also underway in developing new platforms to further boost efficacy of our operations and results.

In the past year, we have had to grapple with the impact of COVID-19, which posed great challenges to us; but the Group has managed to push through by banking on the rise in demand of digitalisation amidst the toll of physical lockdowns and restrictions. During this period, we have helped many businesses pivot effectively to the online space, helping them not only stay afloat, but also thrive.

In November 2020, the Group acquired Majestic State International Limited (the “MSIL”), as part of our strategy to extend our presence into the burgeoning PRC e-commerce and mobile video-streaming market. In doing so, MSIL has contributed to the Group significantly, further affirming that the decision to acquire was a right one.

For the six months ended 31 December 2021, the Group reported an increase in revenue of 135%, as compared to the corresponding period in 2020. This translates to an approximately S\$20 million increase in revenue. In terms of net profit for the six months ended 31 December 2021, the Group reported an increase of 773%, as compared to the corresponding period in 2020. These outstanding results can be primarily attributed to MSIL’s performance, which contributed the majority of the Group’s revenue for the Reporting Period.

Moving forward, the Group will continue to invest in the continual expansion and improvement of our services, as well as remain at the forefront of industry standards. We are also optimistic about the business environment, in light of the Singapore Government recently introducing a slew of relaxed COVID-19 measures surrounding the workplace, international travel and public spaces amidst high vaccination rates and an enhanced healthcare infrastructure to manage the situation competently in the long-run. The Group looks forward to the gradual resumption of normality and will continue to identify ways to strengthen and diversify its operations.

FINANCE REVIEW

Revenue

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

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

	For the six months ended 31 December					
	2021		2020		Variance	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Search engine marketing services	10,055	29.5	9,008	62.2	1,047	+11.6
Creative and technology services	2,328	6.8	1,280	8.9	1,048	+81.9
Social media marketing services	649	1.9	840	5.8	(191)	-22.7
Online platform management services	20,981	61.7	2,957	20.4	18,024	+609.5
Online platform marketing services	13	0.1	390	2.7	(377)	-96.7
	<u>34,026</u>	<u>100.0</u>	<u>14,475</u>	<u>100.0</u>	<u>19,551</u>	<u>+135.1</u>

Overall, the total revenue of the Group increased by around 135.1% from approximately S\$14.5 million for the six months ended 31 December 2020 to approximately S\$34.0 million for the Reporting Period. Such increase was driven by the revenue from online platform management services from the MSIL and its subsidiaries (the “MSIL Group”) of approximately S\$21.0 million for the period.

Revenue from search engine marketing services and creative and technology services increased by approximately 11.6% and 81.9% respectively, indicated that the economic is recovering from the COVID-19 pandemic. Customers in Singapore and Malaysia have increased their advertising spending.

The decrease in revenue from online platform marketing services was due to a change of management strategic decision from the MSIL Group. They would focus on the revenue from the online platform management services and suspended the online platform marketing services in year 2022.

Cost of Services

Our cost of services increased from approximately S\$10.3 million for the six months ended 31 December 2020 to approximately S\$22.4 million for the six months ended 31 December 2021. The increase in cost of services align with the increase in revenue.

Other Income

Other income consisted of (i) government grants of approximately S\$31,000 which included S\$17,400 relating to grant provided by Singapore Government for purchasing remote working laptop suite and payroll system during the COVID-19 pandemic situation; (ii) rental income S\$60,000; and (iii) other income — logistic income from providing the online platform management services.

Other Gains or Losses

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

Selling Expenses

The Group's selling expenses increased by approximately 152.9% from approximately S\$0.8 million for the six months ended 31 December 2020 to approximately S\$2.0 million for the Reporting Period. The selling expenses mainly consisted of sales staff costs, sales commission and marketing-related expenses. The increase in selling expenses for the period was mainly due to the increase in marketing-related expenses and in line with the increase in revenue.

General and Administrative Expenses

Our general and administrative expenses primarily consisted of staff costs, depreciation, rental expenses, entertainment expenses, office expenses and travelling expenses. Our general and administrative expenses increased from approximately S\$2.9 million for the six months ended 31 December 2020 to approximately S\$3.3 million for the six months ended 31 December 2021.

The increase in general and administrative expenses was mainly due to the expenses of MSIL, primarily due to the increase in (i) the rental expenses of MSIL of approximately S\$0.6 million; and (ii) depreciation on right-of-use assets of approximately S\$0.3 million. The professional fees incurred during this period decreased of approximately S\$0.3 million due to prior period higher professional fees incurred in acquisition of MSIL.

Finance Costs

Finance costs has maintained stable, which approximately S\$36,000 for the Reporting Period (2020: S\$29,000). This item comprised interest expenses on bank borrowing and finance cost incurred on right-of-use assets.

Income Tax Expense

Our income tax expense primarily consisted of provision for Singapore, Malaysia and PRC current income tax expense. The Group's income tax expense increased from approximately S\$338,000 for the six months ended 31 December 2020 to approximately S\$930,000 for the six months ended 31 December 2021. Such increase was mainly attributable to the increase in taxable income.

Profit for the Period

Profit for the period increased from approximately S\$0.6 million for the six months ended 31 December 2020 to approximately S\$5.6 million for the six months ended 31 December 2021. The increase in profit was mainly driven by the profit from the MSIL Group acquired in November 2021 for the Reporting Period, coupled with profit from other subsidiaries within the Group arising from improved revenue.

INTERIM DIVIDEND

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

FINANCIAL POSITIONS

As at 31 December 2021, our total equity was approximately S\$46.4 million as compared to approximately S\$40.5 million as at 30 June 2021. The increase was mainly attributable to increase in profit for the Reporting Period.

As at 31 December 2021, our net current assets were approximately S\$19.1 million as compared to approximately S\$14.1 million as at 30 June 2021. The increase was mainly due to increase in trade and other receivables from approximately S\$23.1 million to approximately S\$33.3 million.

LIQUIDITY AND CAPITAL RESOURCES

Borrowings

Our bank borrowings of approximately S\$1.9 million as at 31 December 2021 were secured against investment property of the Group with carrying amount of approximately S\$2.8 million as at 31 December 2021.

Material Acquisition of Subsidiaries and Affiliated Companies

The Group did not have any material acquisition and disposal of subsidiaries and affiliated companies during the Reporting Period.

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

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

Gearing Ratio

The gearing ratio of the Group as at 31 December 2021 was approximately 4.1% (30 June 2021: 4.9%). The gearing ratio is calculated as total interest-bearing liabilities divided by total equity as at the respective period end. The decrease was mainly due to the increase in the Group’s equity arising from increase in retained earnings while the Group’s total interest-bearing liabilities remained relatively stable.

Foreign Exchange Exposure

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

Contingent Liabilities and Guarantees

As at 31 December 2021, we did not have any unrecorded significant contingent liabilities, guarantees or any litigations against us.

USE OF NET PROCEEDS FROM LISTING

The shares of the Company were successfully listed on the Main Board of 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 31 December 2021:

Intended use of Net Proceeds from the share offer (per Prospectus) <i>HK\$ million</i>	Approximate percentage of Net Proceeds <i>%</i>	Revised allocation of unutilised Net Proceeds <i>HK\$ million</i>	Approximate percentage of Net Proceeds <i>%</i>	Amount utilised as at 30 June 2021 <i>HK\$ million</i>	Amount utilised during the Reporting Period <i>HK\$ million</i>	Remaining balance as at 31 December 2021 <i>HK\$ million</i>	Expected timeline to use unutilised Net Proceeds
Strengthening the technological infrastructure	58.2	63.3	58.2	63.3	40.65	—	17.55 Q42019 <i>Note</i>
Acquisition of a website development and hosting company	26.2	28.5	—	—	—	—	—
Establishment of a sales office in Johor Bahru, Malaysia	5.3	5.7	—	—	—	—	—
Working capital	2.3	2.5	2.3	2.5	2.30	—	—
Acquisition of additional interest in an associated company	—	—	31.5	34.2	31.50	—	—
	<u>92.0</u>	<u>100.0</u>	<u>92.0</u>	<u>100.0</u>	<u>74.45</u>	<u>—</u>	<u>17.55</u>

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 150 (30 June 2021: 173) employees and our employee remuneration for the Reporting Period totalled approximately S\$3.6 million (including salary, bonus, and other employee benefits). The amount was approximately S\$7.4 million for the year ended 30 June 2021. The remuneration of our employees is determined based on their performance, experience, competence and market comparable. Their remuneration package includes salaries, bonus related to our performance, allowances and retirement benefit schemes for employees in Singapore, Malaysia and China. The Group also provides customised training to its staff to enhance their technical and product knowledge.

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

Furthermore, the Company has adopted a share option scheme (the "Scheme") for the purpose of providing incentives or rewards to eligible persons for their contributions to the Group. As no share option has been granted by the Company under the Scheme since the Listing, there was no share option outstanding as at 31 December 2021 and no option was exercised or cancelled or lapsed during the Reporting Period.

OTHER INFORMATION

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Teo Li Lian ("Ms. Teo") currently holds both positions. Throughout the Group's history, Ms. Teo has held key leadership position of the Group and has been responsible for overall strategic planning, sales and marketing, management and operation of the Group. In order to achieve effective strategic planning and to monitor the implementation of such plans, the Board (including the independent non-executive Directors (the "INEDs")) considers that Ms. Teo is the best candidate for both positions and the present arrangements are beneficial to and in the interests of the Group and the Shareholders as a whole. Mr. Mu Lei ("Mr. Mu"), an executive Director, has been appointed as a co-chairman of the Board with effect from 20 January 2022 alongside with Ms. Teo. Mr. Mu will continue to focus on providing strategies and insights on the expansion of the business of the Group in the PRC. With the appointment of Mr. Mu and as all major decisions are made in consultation with all the members of the Board including the INEDs offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

Code provision F.1.2 of the CG Code stipulates that the appointment of the company secretary should be dealt with by a physical board meeting rather than a written resolution. The appointment of the current company secretary was dealt with by a written resolution on 23 November 2021. The Board considers that, prior to the execution of the written resolution to appoint the current company secretary, all Directors were individually consulted on the matter without any dissenting opinion and there was no need to approve the matter by a physical board meeting instead of a written resolution.

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 Directors, all Directors have confirmed that they had complied with the Model Code during the Reporting Period.

AUDIT COMMITTEE

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

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 31 December 2021, including the applicable accounting policies and accounting standards adopted by the Group, and considers that such statements have been prepared in compliance with the applicable Listing Rules.

APPRECIATION

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

PUBLICATION OF 2022 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The interim report of the Company for the six months ended 31 December 2021 will be despatched to the Shareholders and will be published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.amgroup Holdings.com) in due course in the manner required by the Listing Rules.

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

Co-Chairlady, executive Director and Chief Executive Officer

Hong Kong, 25 February 2022

As at the date of this announcement, the Board comprises three executive Directors, namely Ms. Teo Li Lian (Co-Chairlady and Chief Executive Officer), Mr. Teo Kuo Liang and Mr. Mu Lei (Co-Chairman); 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.