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AM GROUP HOLDINGS LIMITED

創世紀集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1849)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

Revenue increased by approximately 8.6% from approximately S\$26.6 million in FY2018 to approximately S\$28.9 million in FY2019.

Gross profit increased by approximately 4.8% from approximately S\$10.4 million in FY2018 to approximately S\$10.9 million in FY2019.

Profit for the year decreased by approximately 32.5% from approximately S\$4.0 million in FY2018 to approximately S\$2.7 million in FY2019.

Adjusted profit for the year (excluding listing expenses) amounted to approximately S\$5.7 million in FY2019.

The Board has not recommended the payment of a final dividend for FY2019 (FY2018: approximately S\$3.6 million declared by the entities comprising the Group before listing).

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of AM Group Holdings Limited (the “Company”) hereby announces the consolidated annual results of the Company and its subsidiaries (collectively, “we”, “us”, “our” or the “Group”) for the year ended 30 June 2019 (“FY2019”) (“Annual Results”) together with the comparative information for the year ended 30 June 2018 (“FY2018”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2019

	<i>Notes</i>	Year ended 30 June	
		2019	2018
		<i>S\$'000</i>	<i>S\$'000</i>
Revenue	4	28,885	26,554
Cost of services		(18,007)	(16,161)
Gross profit		10,878	10,393
Other income	5	215	244
Other gains or losses	6	(25)	11
Selling expenses		(1,077)	(1,293)
General and administrative expenses		(3,068)	(2,327)
Listing expenses		(2,982)	(1,816)
Finance costs	7	(49)	(85)
Profit before taxation		3,892	5,127
Income tax expense	8	(1,197)	(1,142)
Profit for the year	9	2,695	3,985
Other comprehensive income (expense):			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of a foreign operation		(9)	7
Profit and total comprehensive income for the year		2,686	3,992
Earnings per share (in Singapore cent)			
Basic and diluted	11	0.4	0.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		As at 30 June	
	<i>Notes</i>	2019 <i>S\$'000</i>	2018 <i>S\$'000</i>
Non-current assets			
Plant and equipment	<i>12</i>	89	130
Investment property	<i>13</i>	3,063	3,131
Deferred tax assets	<i>14</i>	32	—
Trade and other receivables	<i>15</i>	493	—
		3,677	3,261
Current assets			
Trade and other receivables	<i>15</i>	24,133	6,591
Bank balances and cash	<i>16</i>	9,788	3,724
		33,921	10,315
Current liabilities			
Trade and other payables	<i>17</i>	6,448	4,957
Contract liabilities	<i>18</i>	3,083	3,421
Bank borrowings	<i>19</i>	122	124
Income tax payable		1,229	1,681
		10,882	10,183
Net current assets		23,039	132
Total assets less current liabilities		26,716	3,393
Non-current liability			
Bank borrowings	<i>19</i>	2,112	2,230
Net assets		24,604	1,163
Capital and reserves			
Share capital	<i>20</i>	1,389	—
Share premium	<i>21</i>	19,366	—
Reserves		3,849	1,163
Equity attributable to owners of the Company		24,604	1,163

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2019

	Share capital S\$'000	Share premium S\$'000	Merger reserve S\$'000	Translation reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
Balance as at 1 July 2017	220	—	—	94	470	784
Profit for the year	—	—	—	—	3,985	3,985
Other comprehensive income for the year:						
Exchange differences on translation of a foreign operation	—	—	—	7	—	7
Total comprehensive income	—	—	—	7	3,985	3,992
Dividends paid (Note 10)	—	—	—	—	(3,613)	(3,613)
Effect of reorganisation (as detailed in Note 2) (Note)	(220)	—	220	—	—	—
Total	(220)	—	220	—	(3,613)	(3,613)
Balance as at 30 June 2018	<u>—</u>	<u>—</u>	<u>220</u>	<u>101</u>	<u>842</u>	<u>1,163</u>
Balance as at 1 July 2018	—	—	220	101	842	1,163
Profit for the year	—	—	—	—	2,695	2,695
Other comprehensive income for the year:						
Exchange differences on translation of a foreign operation	—	—	—	(9)	—	(9)
Total comprehensive income	—	—	—	(9)	2,695	2,686
Effect of issuance of shares under the capitalisation issue (Note 20)	1,042	(1,042)	—	—	—	—
Effect of issuance of shares under share offer (Note 20)	347	22,220	—	—	—	22,567
Effect of share issuance expenses under share offer	—	(1,812)	—	—	—	(1,812)
Total	1,389	19,366	—	—	—	20,755
Balance as at 30 June 2019	<u>1,389</u>	<u>19,366</u>	<u>220</u>	<u>92</u>	<u>3,537</u>	<u>24,604</u>

Note: As part of the Reorganisation (as defined in Note 2), there are series of restructuring steps within the Group, mainly involving interspersing the Company between the Controlling Shareholders (as defined in Note 2) and the operating subsidiaries (details as set out in Note 2). The difference between the share capital of Activa Media Holdings Limited (“Activa Media (BVI)”) and the combined share capital of Activa Media Pte. Ltd. (“Activa Media (S)”), Activa Media Consultancy Pte. Ltd. (“Activa Media Consultancy”) and SG ActivaMedia (M) Sdn. Bhd. (“Activa Media (M)”) was credited to merger reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2019

	Year ended 30 June	
	2019	2018
	S\$'000	S\$'000
OPERATING ACTIVITIES		
Profit before taxation	3,892	5,127
Adjustments for:		
Depreciation of plant and equipment	57	65
Depreciation of investment property	68	68
Finance costs	49	85
Bad debts directly written off	62	78
Impairment loss, net of reversal on trade receivables	148	73
Exchange difference	(6)	3
Operating cash flows before movements in working capital	4,270	5,499
Movements in working capital:		
Increase in trade and other receivables	(981)	(482)
Increase in trade and other payables	1,491	1,720
Decrease in contract liabilities	(338)	(603)
Cash generated from operations	4,442	6,134
Income tax paid	(1,681)	(235)
NET CASH FROM OPERATING ACTIVITIES	2,761	5,899
INVESTING ACTIVITIES		
Purchase of plant and equipment	(16)	(62)
Deposit paid for purchase of plant and equipment	(493)	—
Advances to shareholders	—	(1,087)
NET CASH USED IN INVESTING ACTIVITIES	(509)	(1,149)
FINANCING ACTIVITIES		
Repayment of bank borrowings	(120)	(106)
Interest paid	(49)	(85)
Dividends paid	—	(2,940)
Proceeds from issuance of shares under share offer (<i>Note 1</i>)	5,316	—
Transaction cost directly attributable to issuance of shares (<i>Note 2</i>)	(1,332)	—
Deferred share issue costs paid	—	(231)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	3,815	(3,362)

	Year ended 30 June	
	2019	2018
	S\$'000	S\$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,067	1,388
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	3,724	2,332
Effect of foreign exchange rate changes	<u>(3)</u>	<u>4</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
represented by bank balances and cash	<u>9,788</u>	<u>3,724</u>

Notes:

- 1: The total proceeds from issuance of shares amounting to S\$22,567,000 and a portion of it amounting to S\$17,251,000 is recognised as other receivables as at 30 June 2019. The related disclosure on the other receivables is included in Note 15 to the consolidated financial statements.
- 2: The movement in the deferred share issue costs during the year of S\$480,000 is set off against the share premium recognised upon the completion of the share offer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated and registered as an exempted company in 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 are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 26 June 2019.

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

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

2. GROUP REORGANISATION AND BASIS OF PREPARATION

Before the completion of the reorganisation as mentioned below (the “Reorganisation”), Ms. Teo Li Lian (“Ms. L Teo”) and Mr. Teo Kuo Liang (“Mr. V Teo”) (collectively the “Controlling Shareholders”) each beneficially owned 50% of the issued share capital of Activa Media (S), Activa Media Consultancy and Activa Media (M), three operating subsidiaries of the Company, respectively.

In preparing for the listing of the Company’s shares on the Main Board of the Stock Exchange, the companies comprising the Group underwent a group reorganisation as set out below:

- (i) On 8 November 2017, Activa Media (BVI) was incorporated in the British Virgin Islands with limited liability with authorised shares of 50,000 shares of a single class with a par value of US\$1.00 per share. No subscriber share was allotted or issued on the date of incorporation. On 17 November 2017, one subscriber share was allotted and issued to as fully paid to Activa Media Investment Limited (“Activa Media Investment”), which is owned by the Controlling Shareholders, at par;
- (ii) On 7 December 2017, the Company was incorporated as an exempted company with limited liability and the initial one nil-paid subscriber share was issued to the initial subscriber (Conyers Trust Company (Cayman) Limited, a subscriber arranged by the corporate services company who incorporated the Company) and transferred to Activa Media Investment at nil-paid on the same date. The authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each at the time of incorporation;
- (iii) On 31 March 2018, Ms. L Teo and Mr. V Teo transferred their respective shareholding interest in Activa Media (S) to Activa Media (BVI) in consideration of Activa Media (BVI) allotting and issuing 1 share to Activa Media Investment credited as fully paid and Activa Media Investment allotting and issuing 1 share to each of Ms. L Teo and Mr. V Teo, credited as fully paid;
- (iv) On 31 March 2018, Ms. L Teo and Mr. V Teo transferred their respective beneficial shareholding interest in Activa Media Consultancy to Activa Media (BVI) in consideration of Activa Media (BVI) allotting and issuing 1 share to Activa Media Investment credited as fully paid and Activa Media Investment allotting and issuing 1 share to each of Ms. L Teo and Mr. V Teo, credited as fully paid;

- (v) On 31 March 2018, Ms. L Teo and Mr. V Teo, transferred their respective beneficial shareholding interest in Activa Media (M), including 2% equity interests in Activa Media (M) held by two individuals on trust for Ms. L Teo and Mr. V Teo, to Activa Media (BVI) in consideration of Activa Media (BVI) allotting and issuing 1 share to Activa Media Investment credited as fully paid and Activa Media Investment allotting and issuing 1 share to each of Ms. L Teo and Mr. V Teo, credited as fully paid; and
- (vi) On 3 June 2019, Activa Media Investment transferred its entire shareholding interest in Activa Media (BVI) to the Company in consideration of the Company allotting and issuing 99 shares to Activa Media Investment, credited as fully paid and the Company crediting as fully paid the initial share held by Activa Media Investment.

Upon the completion of the Reorganisation on 3 June 2019, the Company became the holding company of the subsidiaries now comprising the Group.

As details above, the Reorganisation involves interspersing investment holding companies (including the Company and Activa Media (BVI)) between Activa Media (S), Activa Media Consultancy and Activa Media (M) and the Controlling Shareholders. Since the Controlling Shareholders' interests in Activa Media (S), Activa Media (M) and Activa Media Consultancy are the same before and after the Reorganisation, the Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as continuing entity, accordingly, the Annual Results have been prepared on the basis as if the Company has always been the holding company of the companies now comprising the Group throughout the two years ended 30 June 2019, or since their respective dates of incorporation, whichever is a shorter period.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

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

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

IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to IAS 28	<i>As part of the Annual Improvements to IFRSs 2014–2016 Cycle</i>
Amendments to IAS 40	<i>Transfers of Investment Property</i>

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

For the purpose of preparing and presenting the consolidated financial statements for the year ended 30 June 2019, the Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting period beginning on 1 July 2018 (including IFRS 15 *Revenue from Contracts with Customers*) throughout the two years ended 30 June 2019, except that the Group adopted IFRS 9 *Financial Instruments* on 1 July 2018 and IAS 39 *Financial Instruments: Recognition and Measurement* during the year ended 30 June 2018. The application of IFRS 9 on 1 July 2018 has

no impact on the consolidated statement of financial position of the Group with regard to classification and measurement of financial instruments nor has any material additional impairment been recognised upon application of expected loss approach as at same date.

New and amendments to IFRSs in issue but not yet effective

At the date of this announcement, the Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	<i>Leases</i> ¹
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i> ¹
Amendments to IFRS 3	<i>Definition of a Business</i> ²
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> ³
Amendments to IFRSs	<i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after 1 January 2020.

The directors of the Company consider that the application of the other new and amendments to IFRSs is unlikely to have a material impact on the consolidated financial statements as well as disclosure, except as noted below:

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and the accounting treatments in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group and upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature as appropriate.

Under IAS 17, the Group has already recognised prepaid lease payments for leasehold lands (included in investment property) where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of S\$29,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16.

In addition, the Group currently considers refundable rental deposits paid of S\$31,000 and refundable rental deposits received of S\$33,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result changes in measurement, presentation and disclosure as indicated above. The directors of the Company assess that such changes and expect such changes would increase the consolidated assets and consolidated liabilities of the Group, but would not have a material impact on the financial position and financial performance of the Group upon adoption of IFRS 16.

The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the

Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

Except as described above, the directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the Group's performance and financial positions in future.

4. REVENUE AND SEGMENT INFORMATION

Revenue

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

	Year ended 30 June	
	2019 S\$'000	2018 S\$'000
Search engine marketing services	23,404	22,043
Creative and technology services	4,535	3,776
Social media marketing services	946	735
	<u>28,885</u>	<u>26,554</u>

	Year ended 30 June	
	2019 S\$'000	2018 S\$'000

Timing of revenue recognition:

Over time:

— Search engine marketing services	23,404	22,043
— Social media marketing services	946	735
	<u>24,350</u>	<u>22,778</u>

At point in time:

— Creative and technology services	4,535	3,776
	<u>4,535</u>	<u>3,776</u>
	<u>28,885</u>	<u>26,554</u>

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

The Group provides search engine marketing services and social media marketing services to customers. Such services are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue is recognised for these search engine marketing services and social media marketing services based on the stage of completion of the contract using input method. The Group generally requires customers to provide upfront payments of certain percentage of the contract sum, when the Group receives a deposit before service commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit. The period for the search engine marketing services and social media marketing services is generally within 1 year. Revenues recognised from these services are based on a fixed fee. The Group generally bills the remaining balances on a periodic basis and does not allow credit terms for 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 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 it does not allow credit terms for 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 involve the promotion of websites by increasing their visibility in search engine results pages primarily through paid advertising.
2. Creative and technology services — website development and hosting and other advertisement supporting services in Singapore and Malaysia.
3. Social media marketing services — online advertising services in Singapore and Malaysia that utilise the unique features of social media platform to deliver customised information to specific target customers.

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

Segment revenue and results:

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

Year ended 30 June 2018

	Search engine marketing services <i>S\$'000</i>	Creative and technology services <i>S\$'000</i>	Social media marketing services <i>S\$'000</i>	Total <i>S\$'000</i>
REVENUE				
External sales and segment revenue	<u>22,043</u>	<u>3,776</u>	<u>735</u>	<u>26,554</u>
RESULTS				
Segment profit	<u>6,981</u>	<u>3,177</u>	<u>235</u>	10,393
Unallocated other income				244
Other gains				11
Selling expenses				(1,293)
General and administrative expenses				(2,327)
Listing expenses				(1,816)
Finance costs				<u>(85)</u>
Profit before taxation				<u>5,127</u>

Year ended 30 June 2019

	Search engine marketing services <i>S\$'000</i>	Creative and technology services <i>S\$'000</i>	Social media marketing services <i>S\$'000</i>	Total <i>S\$'000</i>
REVENUE				
External sales and segment revenue	<u>23,404</u>	<u>4,535</u>	<u>946</u>	<u>28,885</u>
RESULTS				
Segment profit	<u>6,700</u>	<u>3,859</u>	<u>319</u>	10,878
Unallocated other income				215
Other losses				(25)
Selling expenses				(1,077)
General and administrative expenses				(3,068)
Listing expenses				(2,982)
Finance costs				<u>(49)</u>
Profit before taxation				<u>3,892</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, listing expenses, other income and other gains or losses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

Segment assets and liabilities

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

Geographical information

Revenue by geographical location

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

	Year ended 30 June	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
Singapore (country of domicile)	24,952	23,455
Malaysia	3,933	3,099
	<u>28,885</u>	<u>26,554</u>

Non-current assets by geographical location

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

	Year ended 30 June	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
Singapore (country of domicile)	3,664	3,240
Malaysia	13	21
	<u>3,677</u>	<u>3,261</u>

Information about major customers

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

5. OTHER INCOME

	Year ended 30 June	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
Government grants (<i>Note</i>)	61	48
Rental income	118	124
Others	36	72
	<u>215</u>	<u>244</u>

Note: The government grants mainly represent government grants received for employment of Singapore citizens.

6. OTHER GAINS OR LOSSES

	Year ended 30 June	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
Net exchange (losses) gains	(25)	11

7. FINANCE COSTS

	Year ended 30 June	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
Interest on bank borrowings	49	85

8. INCOME TAX EXPENSE

	Year ended 30 June	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
Tax expense comprises:		
Current tax:		
— Singapore corporate income tax (“CIT”)	1,153	1,071
— Malaysia income tax	114	107
Overprovision from prior years	(38)	(36)
Deferred tax	(32)	—
	<u>1,197</u>	<u>1,142</u>

Singapore CIT is calculated at 17% (2018: 17%) of the estimated assessable profit for the year.

Malaysia income tax is calculated at 17% (2018: 18%) for the first MYR500,000 of estimated assessable profit and 24% (2018: 24%) for the remaining estimated assessable profit for the year.

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

	Year ended 30 June	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
Profit before taxation	<u>3,892</u>	<u>5,127</u>
Tax at Singapore CIT rate of 17%	662	872
Tax effect of income tax not taxable for tax purpose	(17)	(46)
Tax effect of different tax rate in foreign jurisdiction	23	22
Tax effect of expenses not deductible for tax purpose	567	330
Overprovision from prior years	(38)	(36)
	<u>1,197</u>	<u>1,142</u>

9. PROFIT FOR THE YEAR

	Year ended 30 June	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments:		
Fees	9	—
Salaries, allowances and other benefits	968	744
Retirement benefit scheme contributions	<u>64</u>	<u>52</u>
	<u>1,041</u>	<u>796</u>
Other staff costs:		
Salaries, allowances and other benefits	2,343	2,327
Retirement benefit scheme contributions	<u>309</u>	<u>295</u>
Total staff costs	<u>3,693</u>	<u>3,418</u>
Auditors' remuneration	184	24
Minimum lease payments	124	130
Depreciation expenses:		
Investment property	68	68
Plant and equipment	57	65
Bad debts directly written off	62	78
Impairment loss, net of reversal on trade receivables	148	73
Gross rental income from an investment property	(118)	(124)
Less: direct operating expenses incurred for investment property that generated rental income during the year	<u>68</u>	<u>68</u>
	<u>(50)</u>	<u>(56)</u>

10. DIVIDENDS

	Year ended 30 June	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
Dividends declared	—	3,613

During the prior year, entities comprising the Group declared dividends of S\$3,613,000 to the then shareholders. Dividends amounting to S\$1,087,000 were paid through offsetting against the amounts due from shareholders during the year ended 30 June 2018. The remaining dividends payables amounted to S\$2,940,000 were paid in cash during the year ended 30 June 2018.

The rate of dividend and number of shares ranking for the above dividends are not presented as such information is not meaningful having regard to the purpose of this announcement.

No dividends have been paid or declared by the Company since its incorporation.

11. EARNINGS PER SHARE

	Year ended 30 June	
	2019	2018
Profit attributable to the owners of the Company (S\$'000)	2,695	3,985
Weighted average number of ordinary shares in issue ('000)	602,740	600,000
Basic and diluted earnings per share (Singapore cent)	0.4	0.7

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average number of shares in issue. The number of shares for the purpose of calculating basic earnings per share for the year ended 30 June 2018 is based on 600,000,000 shares, which were issued pursuant to the Reorganisation, excluding non-controlling shareholder's interest, and were deemed to have been issued since 1 July 2017.

Diluted earnings per share is the same as the basic earnings per share because the Group had no potential dilutive securities that were convertible into shares during the years ended 30 June 2019 and 2018.

12. PLANT AND EQUIPMENT

	Leasehold improvements <i>S\$'000</i>	Furniture and fixtures <i>S\$'000</i>	Computers <i>S\$'000</i>	Office equipment <i>S\$'000</i>	Total <i>S\$'000</i>
COST					
As at 1 July 2017	75	66	173	18	332
Additions	35	—	24	3	62
Disposals	—	(2)	(36)	—	(38)
	<u>110</u>	<u>64</u>	<u>161</u>	<u>21</u>	<u>356</u>
As at 30 June 2018	110	64	161	21	356
Additions	—	—	16	—	16
	<u>110</u>	<u>64</u>	<u>177</u>	<u>21</u>	<u>372</u>
As at 30 June 2019	<u>110</u>	<u>64</u>	<u>177</u>	<u>21</u>	<u>372</u>
ACCUMULATED DEPRECIATION					
As at 1 July 2017	19	18	155	7	199
Provided for the year	22	13	27	3	65
Eliminated on disposals	—	(2)	(36)	—	(38)
	<u>41</u>	<u>29</u>	<u>146</u>	<u>10</u>	<u>226</u>
As at 30 June 2018	41	29	146	10	226
Provided for the year	20	10	24	3	57
	<u>61</u>	<u>39</u>	<u>170</u>	<u>13</u>	<u>283</u>
As at 30 June 2019	<u>61</u>	<u>39</u>	<u>170</u>	<u>13</u>	<u>283</u>
CARRYING VALUES					
As at 30 June 2018	69	35	15	11	130
	<u>69</u>	<u>35</u>	<u>15</u>	<u>11</u>	<u>130</u>
As at 30 June 2019	<u>49</u>	<u>25</u>	<u>7</u>	<u>8</u>	<u>89</u>

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

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

13. INVESTMENT PROPERTY

	Leasehold property S\$'000
COST	
As at 1 July 2017, 30 June 2018 and 2019	3,397
ACCUMULATED DEPRECIATION	
As at 1 July 2017	198
Provided for the year	68
As at 30 June 2018	266
Provided for the year	68
As at 30 June 2019	334
CARRYING VALUES	
As at 30 June 2018	3,131
As at 30 June 2019	3,063

The above investment property is a leasehold property located in Singapore depreciated over 50 years on a straight-line basis.

The Group's property interest is leased out under operating leases for lease terms of 3 years to earn rentals or for capital appreciation purposes. The property is measured using the cost model and is classified and accounted for as an investment property. The investment property is mortgaged to a bank to secure for bank loans as at 30 June 2018 and 2019 (Note 19).

As at 30 June 2019, the fair value of the investment property amounted to S\$3,320,000 (2018: S\$3,340,000). The fair value has been arrived at based on a valuation carried out by Cushman & Wakefield Limited, independent valuer not related to the Group. Direct comparison approach has been adopted, in arriving the open market value for the year ended 30 June 2019. The direct comparison approach involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment property. In determining the fair value, the valuer has used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of investment property include price per square foot. In relying on the valuation report, management has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions.

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

14. DEFERRED TAX ASSETS

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

	Tax losses <i>S\$'000</i>	Total <i>S\$'000</i>
As at 1 July 2017 and 30 June 2018	—	—
Credit to profit or loss for the year (<i>Note 9</i>)	32	32
	<hr/>	<hr/>
As at 30 June 2019	32	32
	<hr/> <hr/>	<hr/> <hr/>

15. TRADE AND OTHER RECEIVABLES

	As at 30 June	
	2019 <i>S\$'000</i>	2018 <i>S\$'000</i>
Current assets:		
Trade receivables	4,274	4,747
Less: Allowance for doubtful debts	(239)	(260)
	<hr/>	<hr/>
	4,035	4,487
Unbilled revenue	2,577	1,150
	<hr/>	<hr/>
	6,612	5,637
	<hr/> <hr/>	<hr/> <hr/>
Deposits	39	38
Prepayments	88	45
Deferred share issue costs	—	480
Staff loans	140	70
Other receivables	17,254	321
	<hr/>	<hr/>
Total	24,133	6,591
	<hr/> <hr/>	<hr/> <hr/>
Non-current assets:		
Deposits	493	—
	<hr/>	<hr/>
	493	—
	<hr/> <hr/>	<hr/> <hr/>

The Group generally requires advance payments and deposits from customers and does not allow any credit period to its customers.

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

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

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

	As at 30 June	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
Less than 30 days	1,354	1,358
31–60 days	726	745
61–90 days	373	758
Over 90 days	1,582	1,626
	4,035	4,487

As at 30 June 2019, the Group recognised the allowance for certain trade receivables which has been past due and considered as doubtful debts or irrecoverable by the management.

Movement in allowance for doubtful debts:

	As at 30 June	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
At 1 July	260	267
Impairment losses recognised on receivables	148	73
Amount written off as uncollectible	(169)	(80)
At 30 June	239	260

Included in the Group's trade receivables balance as at 30 June 2019 with aggregate carrying amounts of S\$4,035,000 (2018: S\$4,487,000) which are past due at the reporting date for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

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, 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.

Starting from 1 July 2018, the Group applied simplified approach to provide the expected credit losses (the "ECL") prescribed by IFRS 9.

As part of the Group's credit risk management, the Group assesses the impairment for its customers based on different group of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Directors consider that the ECL for other receivables are insignificant as at 30 June 2019.

Movement in lifetime ECL that has been recognised in accordance with simplified approach set out in IFRS 9 for the year ended 30 June 2019 is as follows:

	Non-credit impaired <i>S\$'000</i>	Credit impaired <i>S\$'000</i>	Total <i>S\$'000</i>
At the beginning of the year	—	260	260
Amounts charged to profit or loss	2	146	148
Written off	—	(169)	(169)
	<u>2</u>	<u>(169)</u>	<u>(167)</u>
As at the end of the year	<u>2</u>	<u>237</u>	<u>239</u>

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

As at 30 June 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of S\$4,035,000 which are past due as at the reporting date, of which S\$2,453,000 has been past due but less than 90 days and S\$1,582,000 has been past due 90 days or more. The Management is in the view that there has been no significant increase in credit risk or default because such balances were subsequently settled.

The movement for the year ended 30 June 2019, in lifetime ECL, has been recognised from trade receivables in accordance with the simplified approach set out in IFRS 9. During the year ended 30 June 2019, impairment loss of S\$146,000 was recognised for credit-impaired trade receivables and impairment loss of S\$2,000 was recognised for non-credit impaired trade receivables.

Included in other receivables amounting to S\$17,251,000 relates to amount receivable from the sole global co-ordinator to the share offer of the Company in relation to the proceeds from issuance of shares which were received after the end of reporting period.

An upfront deposit was made to a vendor for an acquisition of a plant and equipment which is expected to be delivered after the end of the reporting period.

16. BANK BALANCES AND CASH

Bank balances carried interest at prevailing market rate of nil per annum as at 30 June 2018 and 2019. The directors of the Company consider that the estimated credit loss for bank balances is insignificant as at 30 June 2019.

17. TRADE AND OTHER PAYABLES

	As at 30 June	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
Trade payables	2,746	2,873
Accrued expenses	211	190
Accrued listing expenses/share issue costs	1,851	1,129
Deposits received	243	217
Goods and services tax payables	355	395
Other payables	1,042	153
	<u>6,448</u>	<u>4,957</u>

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

	As at 30 June	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
1 to 30 days	1,373	1,501
31 to 60 days	1,367	1,372
61 to 90 days	3	—
91 to 120 days	3	—
	<u>2,746</u>	<u>2,873</u>

18. CONTRACT LIABILITIES

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

The movements in contract liabilities are as follows:

	As at 30 June	
	2019	2018
	S\$'000	S\$'000
At the beginning of year	3,421	4,024
Receipt from customers upon entering sales contracts during the year	24,010	22,175
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	(3,421)	(4,024)
Revenue recognised during the year that was related to receipt from customers in the same year	(20,927)	(18,754)
	<u>3,083</u>	<u>3,421</u>
As at end of year	3,083	3,421

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

19. BANK BORROWINGS

The bank borrowings are guaranteed by the Controlling Shareholders and secured by the investment property of the Group. The Group is in the midst of arranging for the personal guarantee given by the Controlling Shareholders to be released and replaced by a corporate guarantee given by the Company.

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

20. SHARE CAPITAL

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

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

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

⁽ⁱ⁾ On 7 December 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the date of incorporation, one nil-paid share was allotted and issued to the initial subscriber, an independent third party. On the same date, the share was transferred to Activa Media Investment.

⁽ⁱⁱ⁾ On 3 June 2019, the authorised share capital of the Company has increased from HK\$380,000 divided into 38,000,000 shares to HK\$100,000,000 divided into 10,000,000,000 shares by creation of an additional 9,962,000,000 shares which rank pari passu in all respects with existing shares.

⁽ⁱⁱⁱ⁾ On 3 June 2019, Ms. L Teo, Mr. V Teo and Activa Media Investment and the Company entered into a sale and purchase agreement, pursuant to which Activa Media Investment transferred its entire shareholdings in Activa Media (BVI) to the Company in consideration of the Company allotting and issuing 99 shares to Activa Media Investment, credited as fully paid.

- (iv) On 26 June 2019, HK\$5,999,999 standing to the credit of the share premium account of the Company was capitalised by applying such sum in paying up in full at par 599,999,900 shares for allotment and issue to the shareholders in proportion to their then shareholdings in the Company so that the shares allotted and issued shall rank pari passu in all respects with the then existing issued shares. This transaction is a non-cash transaction.
- (v) On 26 June 2019, the Company's total number of ordinary shares, which were issued and fully paid, increased to 800,000,000 by issuing 200,000,000 new shares from share offer. The 200,000,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$0.65 per share for a total consideration of HK\$130,000,000 (equivalent to approximately S\$22,567,000) with listing expenses of approximately S\$1,812,000 charged to share premium. On the same date, the issued shares were successfully listed on the Main Board of the Stock Exchange.

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

OVERVIEW

Since our early entry into the online marketing industry in 2005, the Group has rapidly expanded to serve over 900 customers across 100 industries in Singapore and Malaysia. Our services include (i) search engine marketing, (ii) creative and technology services (comprises web development and design, and search engine optimisation), as well as (iii) social media marketing.

While search engine marketing makes up the majority of our service offerings, we ultimately see our services as complementary and, where possible, propose and implement marketing strategies that take into consideration website design, copywriting, mobile-friendliness, potential for social media engagement and high visibility on the organic search results.

This multi-pronged, one-stop marketing approach that we offer has proven to be very valuable and convenient for our customers, and this is the direction that we will continue to strive towards.

BUSINESS REVIEW

As mentioned, the Group provides a diverse yet complementary suite of online marketing services for our customers, fuelled by the high Internet and smartphone penetration rate in Singapore and the region, which has given rise to a powerful new way for businesses and consumers to interact with each other.

Our core service — search engine marketing — has been enjoying rising demand as it allows marketing campaigns to be highly personalised, reach specific target audiences and enable results to be tracked at every stage. Not only does this result in more effective campaigns, it also allows us to constantly build up our extensive database of major converting keywords, industry research, strategies and performance outcomes.

As these are mostly done manually by our digital marketing team, it is not the most effective use of our resources. Hence, we are pleased to reiterate that the main intended use of net proceeds from the share offer (approximately 63.3%) will go to enhancing our technological infrastructure. This is done with the goal that processes will become vastly automated and streamlined, thus improving efficiency and expanding our suite of services significantly.

The three platforms that we plan to develop are:

Platform A:

To enable users to digitally perform health checks on the effectiveness of their search engine marketing campaigns and website quality, prompting users to engage us for advice and support. Therefore, this free diagnostic tool also doubles as a high quality leads generation tool for us.

Platform B:

To digitise our extensive keywords library and automate parts of campaign planning, execution and reporting for our search engine marketing services.

Platform C:

To facilitate Big Data collection from search engines and social media platforms, as well as data mining and analytics, to efficiently identify and predict market trends and search trends.

FINANCIAL REVIEW

Revenue

We derived our revenue from online marketing services consisting of: (i) search engine marketing services; (ii) creative and technology services; and (iii) social media marketing services. The breakdown of our revenue for FY2019 and FY2018 is as follows:

	Year ended 30 June	
	2019	2018
	S\$'000	S\$'000
Search engine marketing services	23,404	22,043
Creative and technology services	4,535	3,776
Social media marketing services	946	735
	<u>28,885</u>	<u>26,554</u>

Our revenue has increased slightly by approximately 8.6% from approximately S\$26.6 million in FY2018 to approximately S\$28.9 million in FY2019. The growth in the revenue was due to the increase in revenue from all three business segments of the Group, which was in turn mainly driven by the increase in awareness of the effectiveness of online marketing among advertisers.

Search engine marketing continued to be our largest revenue contributor. The increase in search engine marketing services was attributable to the increase in revenue from Malaysia. The increase in creative and technology services was attributable to the increase in revenue from search engine optimisation. The increase in social media marketing services was attributable to the increase in revenue from both Singapore and Malaysia.

Cost of Services

Our cost of services has increased from approximately S\$16.2 million in FY2018 to approximately S\$18.0 million in FY2019. Such increase was generally in line with the increase in the revenue.

Other Income

Our other income consisted of (i) government grants received from the Singapore government for the employment of Singapore citizens; and (ii) rental income. Our other income remained relatively stable at approximately S\$0.2 million for the years.

Other Gains or Losses

Our other gains or losses consisted of net exchange gains or losses arising from our Malaysia subsidiary. The fluctuations of our other gains or losses were primarily due to the movement of exchange rates of Singapore dollars against Malaysia Ringgits.

Selling Expenses

Our selling expenses primarily consisted of staff costs and sales commission for our sales personnel, and marketing related expenses directly related to our sales and marketing activities. Our selling expenses decreased from approximately S\$1.3 million in FY2018 to approximately S\$1.1 million in FY2019. This decrease was mainly due to the lower sales commission paid and lower marketing related expenses incurred as compared to prior year.

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 have increased from approximately S\$2.3 million in FY2018 to approximately S\$3.1 million in FY2019. Such increase was mainly due to the higher staff costs and the additional professional fees incurred with our listing.

Finance Costs

Finance costs comprised interest charges on bank borrowings. Our finance costs have decreased from approximately S\$85,000 in FY2018 to approximately S\$49,000 in FY2019. Such decrease was mainly due to the lower effective interest rate in FY2019.

Income Tax Expense

Our income tax expense primarily consisted of provision for Singapore and Malaysia current income tax expenses. The Group's income tax expense increased from approximately S\$1.1 million in FY2018 to approximately S\$1.2 million in FY2019. Such increase was mainly attributable to lower tax rebates available for utilisation in FY2019.

Profit for the Year

Our profit for the year has decreased from approximately S\$4.0 million in FY2018 to approximately S\$2.7 million in FY2019. This decrease was mainly attributable to the increase in general and administrative expenses from the higher staff costs and additional professional fees incurred with our listing and the higher listing expenses incurred in FY2019.

The table below demonstrates the impact on our profit excluding the one-off and non-recurring costs:

	Year ended 30 June	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
Profit for the year	2,695	3,985
Add:		
Listing expenses	<u>2,982</u>	<u>1,816</u>
Adjusted profit for the year	<u>5,677</u>	<u>5,801</u>

Financial Positions

As at 30 June 2019, our total equity was approximately S\$24.6 million as compared to approximately S\$1.2 million as at 30 June 2018. The increase was mainly due to the listing of the Company's shares on the Main Board of the Stock Exchange (the "Listing") during FY2019.

As at 30 June 2019, our net current assets were approximately S\$23.0 million as compared to approximately S\$0.1 million as at 30 June 2018. The increase was mainly due to the proceeds received from the Listing and the increase in the bank balance from cash generated from the operating activities.

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 customers. Our principal uses of cash have been, and are expected to continue to be, operational costs, repayment of bank borrowings and business expansion in both Singapore and Malaysia.

Capital Commitments

	As at 30 June	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
Commitments for the acquisition of plant and equipment	<u>493</u>	<u>—</u>

Our capital expenditure includes expenditures on software.

Charges of Assets

Our bank borrowings as at 30 June 2019 were secured against investment property with carrying amount of approximately S\$3.1 million.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Apart from the Reorganisation, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures in FY2019.

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”) or elsewhere in this announcement, there was no other plan for material investments or capital assets as at 30 June 2019.

Gearing Ratio

As at 30 June 2019, the gearing ratio which is calculated as total interest-bearing liabilities divided by total equity and multiplied by 100%, was 9.1%, as compared to 202.4% as at 30 June 2018. The decrease was mainly due to the increase in our equity following our Listing while our total interest-bearing liabilities remained relatively stable.

Foreign Currency Exposure

The main operations of the Group are in Singapore and Malaysia and most of the Group's transactions and cash and cash equivalents are denominated in Singapore dollars and Malaysia Ringgits. The Group retains the net proceeds from the share offer in Hong Kong dollars that are exposed to fluctuations in foreign exchange rate risks. 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 2019, we did not have any unrecorded significant contingent liabilities, guarantees or any litigations against us.

Employees and Remuneration Policies

As at 30 June 2019, the Group had 58 (30 June 2018: 52) employees and our employee remuneration totalled approximately S\$3.7 million (including salary, bonus, and other employee benefits). The remuneration of our employees is determined based on their performance, experience, competence and market comparable. Their remuneration package includes salaries, bonus related to our performance, allowances and retirement benefit schemes for employees in Singapore and Malaysia. The Company also provides customised training to its staff to enhance their technical and product knowledge.

The remuneration of 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.

The Company has adopted a share option scheme on 3 June 2019 for the purpose of providing incentives or rewards to eligible persons for their contributions to the Group.

Use of Proceeds from the Listing

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 26 June 2019 (the "Listing Date"). Net proceeds from the Listing were approximately HK\$98 million. With reference to the Prospectus, we intend to use the net proceeds from the Listing in the following manner: (1) approximately 63.3% to strengthen our technological infrastructure; (2) approximately 28.5% to acquire a website development and hosting company; (3) approximately 5.7% to establish a sales office in Johor Bahru, Malaysia; and (4) approximately 2.5% for working capital and general corporate purposes. As at 30 June 2019, the net proceeds had not been deployed in accordance with the plan set out in the Prospectus. The majority of the unused net proceeds have been placed with a licenced bank in Hong Kong. As at the date of this announcement, the Directors are not aware of any material change to the proposed use of such net proceeds.

Outlook and Prospects

With increasing demand in online marketing and rising Internet penetration rates and smartphone adoption rates across the region, our Group — with its 14 years' experience in the industry, long-standing partnership with Google as a Premier Partner, enhanced capital and a raised business profile in the Southeast Asian and Greater China region — is well-poised to leverage on these strong economic forces and market trends to expand our customer base and suite of services moving forward.

Overall, the management is optimistic about the Group's prospects for medium- to long-term development, and will continue to implement strategies to expand our geographical reach and technological infrastructure to create greater value to our customers and shareholders of the Company (the "Shareholders").

OTHER INFORMATION

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

During the period from the Listing Date to 30 June 2019 (the "Review Period"), the Company did not redeem any of its listed securities nor did the Company or its subsidiaries purchase or sell such securities.

Annual General Meeting

The 2019 annual general meeting of the Company (the "2019 AGM") is scheduled to be held on Friday, 15 November 2019. A notice convening the 2019 AGM will be published and dispatched to the Shareholders in accordance with the requirements of the articles of association of the Company and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 12 November 2019 to Friday, 15 November 2019, 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 2019 AGM, non-registered Shareholders must lodge all share transfer documents accompanied by the relevant share certificates for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 11 November 2019.

Compliance with 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 Review 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. L Teo currently holds both positions. Throughout the Group’s history, Ms. L 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. L Teo is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Group and the Shareholders as a whole.

Code provision A.1.8 of the CG Code stipulates that a listed company should arrange appropriate insurance cover in respect of legal actions against its directors. As the Company was sourcing and waiting for various quotations for the directors and officers liabilities’ insurance after the Listing, the insurance cover in respect of legal actions against the Directors was not in place. However, as there were regular and timely communications among the Directors and the senior management of the Group, the Board was of the opinion that sound and effective corporate governance within the Group would suffice in monitoring and mitigating legal and compliance risks.

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.

Significant Event after the Reporting Period

Up to the date of this announcement, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after FY2019.

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 Review 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. Tan Eng Ann and Mr. Lee Shy Tsong. Mr. Tan Eng Ann is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review the financial information of the Group, oversee the Group's financial report system, risk management and internal control systems, provide advice and comments to the Board, and monitor the independence and objectivity of the external auditor.

Appreciation

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

Review of Annual Results

The consolidated financial results of the Group for FY2019 have been reviewed by the Audit Committee and the figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position, and the related notes thereto for FY2019 as set out in this announcement have been agreed by our independent auditors, Deloitte & Touche LLP, to the amounts set out in the Group's consolidated financial statements for FY2019. The Audit Committee is of the opinion that the preparation of such results has complied with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

Publication of Annual Results Announcement and Annual Report

The annual results announcement of the Company is published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.amgroupholdings.com). The annual report of the Company for FY2019 containing all the relevant information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course in the manner 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, 24 September 2019

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