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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)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

The board of directors of AM Group Holdings Limited (the “Company”, the “Directors” and the “Board”, respectively) is pleased to announce the unaudited interim financial results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2019 (the “Reporting Period”) together with the relevant comparative figures.

### **FINANCIAL HIGHLIGHTS**

Revenue of the Group for the Reporting Period was S\$13.8 million, representing a decrease of approximately 1.5% over the corresponding period in 2018.

Gross profit for the Reporting Period stood at S\$5.2 million, representing an increase of approximately 7.8% over the corresponding period in 2018.

Profit for the Reporting Period stood at S\$2.1 million, representing an increase of approximately 21.9% over the corresponding period in 2018.

The Board has resolved not to declare an interim dividend in respect of the Reporting Period (six months ended 31 December 2018: nil).

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

*For the six months ended 31 December 2019*

		<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2019</b>	2018
	<i>Notes</i>	<i>S\$'000</i>	<i>S\$'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	5	<b>13,813</b>	14,017
Cost of services		<u><b>(8,632)</b></u>	<u>(9,210)</u>
<b>Gross profit</b>		<b>5,181</b>	4,807
Other income	6	<b>107</b>	115
Other losses	7	<b>(16)</b>	(24)
Selling expenses		<b>(592)</b>	(580)
General and administrative expenses		<b>(2,077)</b>	(1,299)
Listing expenses		<b>—</b>	(794)
Finance costs	8	<u><b>(28)</b></u>	<u>(21)</u>
<b>Profit before taxation</b>		<b>2,575</b>	2,204
Income tax expense	9	<u><b>(491)</b></u>	<u>(495)</u>
<b>Profit for the period</b>	10	<b>2,084</b>	1,709
<b>Other comprehensive income:</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of a foreign operation		<u><b>4</b></u>	<u>(4)</u>
<b>Profit and total comprehensive income for the period</b>		<u><b>2,088</b></u>	<u>1,705</u>
<b>Earnings per share (in Singapore cent)</b>			
Basic and diluted	12	<u><b>0.25</b></u>	<u>0.28</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 December 2019*

	<i>Notes</i>	<b>31 December 2019 S\$'000 (Unaudited)</b>	30 June 2019 S\$'000 (Audited)
<b>Non-current assets</b>			
Plant and equipment	13	96	89
Investment property		3,029	3,063
Deferred tax assets		44	32
Trade and other receivables	14	5,293	493
Right-of-use assets		18	—
		<u>8,480</u>	<u>3,677</u>
<b>Current assets</b>			
Trade and other receivables	14	6,787	24,133
Cash and cash equivalents	15	20,929	9,788
		<u>27,716</u>	<u>33,921</u>
<b>Current liabilities</b>			
Trade and other payables	16	3,820	6,448
Contract liabilities	17	2,465	3,083
Bank borrowings	18	117	122
Income tax payable		1,026	1,229
Lease liabilities		19	—
		<u>7,447</u>	<u>10,882</u>
<b>Net current assets</b>		<u>20,269</u>	23,039
<b>Total assets less current liabilities</b>		<u>28,749</u>	<u>26,716</u>
<b>Non-current liability</b>			
Bank borrowings	18	2,057	2,112
<b>Net assets</b>		<u>26,692</u>	<u>24,604</u>
<b>Capital and reserves</b>			
Share capital	19	1,389	1,389
Share premium	20	19,366	19,366
Reserves		5,937	3,849
<b>Equity attributable to owners of the Company</b>		<u>26,692</u>	<u>24,604</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2019

	Notes	Share capital S\$'000	Share premium S\$'000	Merger reserve S\$'000	Translation reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
<b>Balance as at 1 July 2018</b>							
(Unaudited)		—	—	220	101	842	1,163
Profit for the period		—	—	—	—	1,709	1,709
Other comprehensive income for the period:							
Exchange differences arising on translation of a foreign operation		—	—	—	(4)	—	(4)
Total comprehensive income		—	—	—	(4)	1,709	1,705
<b>Balance as at 31 December 2018</b>							
(Unaudited)		—	—	220	97	2,551	2,868
<b>Balance as at 1 July 2019</b>							
(Unaudited)	19	1,389	19,366	220	92	3,537	24,604
Profit for the period		—	—	—	—	2,084	2,084
Other comprehensive income for the period:							
Exchange differences arising on translation of a foreign operation		—	—	—	4	—	4
Total comprehensive income		—	—	—	4	2,084	2,088
<b>Balance as at 31 December 2019</b>							
(Unaudited)		<u>1,389</u>	<u>19,366</u>	<u>220</u>	<u>96</u>	<u>5,621</u>	<u>26,692</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 19) and the operating subsidiaries (details as set out in the prospectus of the Company dated 13 June 2019 (the “Prospectus”). The difference between the issued share capital of Activa Media Holdings Limited (“Activa (BVI)”) and the combined issued share capital of Activa Media Pte. Ltd. (“Activa Media (S)”), Activa Media Consultancy Pte. Ltd. and SG ActivaMedia (M) Sdn. Bhd. was credited to merger reserve.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 31 December 2019*

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2019</b>	2018
	<i>S\$'000</i>	<i>S\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	2,575	2,204
Adjustments for:		
Depreciation of plant and equipment	38	30
Depreciation of investment property	34	34
Depreciation of right-of-use assets	9	—
Finance costs	28	21
Interest income	(25)	—
Bad debts directly written off	27	32
Impairment loss, net of reversal on trade receivables	63	9
Gain on disposal of plant and equipment	(1)	—
Exchange difference	4	(3)
	2,752	2,327
Operating cash flows before movements in working capital		
Movements in working capital:		
Decrease in trade and other receivables	5	602
Decrease in trade and other payables	(2,628)	(343)
Decrease in contract liabilities	(618)	(302)
	(489)	2,284
Cash (used in)/generated from operations		
Income tax paid	(705)	(909)
	(1,194)	1,375
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>		
<b>INVESTING ACTIVITIES</b>		
Interest received from time deposits	25	—
Purchase of plant and equipment	(45)	(11)
Proceeds from disposal of plant and equipment	1	—
Advanced payment for purchase of plant and equipment	(4,800)	—
	(4,819)	(11)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2019</b>	2018
	<i>S\$'000</i>	<i>S\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>FINANCING ACTIVITIES</b>		
Repayment of bank borrowings	(61)	(62)
Interest paid	(27)	(21)
Proceeds from issuance of shares under share offer	17,251	—
Deferred listing expenses	—	(198)
Repayment of lease liabilities	(9)	—
	<hr/>	<hr/>
<b>NET CASH GENERATED FROM/(USED IN)</b>		
<b>FINANCING ACTIVITIES</b>	<b>17,154</b>	<b>(281)</b>
	<hr/>	<hr/>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>11,141</b>	<b>1,083</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF</b>		
<b>THE PERIOD</b>	<b>9,788</b>	<b>3,724</b>
Effect of foreign exchange rate changes	—	(1)
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF THE</b>		
<b>PERIOD</b>	<b>20,929</b>	<b>4,806</b>
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# **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 31 December 2019*

## **1. GENERAL INFORMATION**

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 7 December 2017. The registered office of the Company is 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 in issue have been listed on the Main Board of the Stock Exchange since 26 June 2019.

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

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

## **2. REORGANISATION AND BASIS OF PRESENTATION**

The condensed consolidated interim financial statements (“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 2019.

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

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

### 3. BASIS OF PREPARATION

The Condensed Consolidated Interim Financial Statements are unaudited and have been prepared in accordance with IFRSs which collective term includes all applicable individual IFRSs, International Accounting Standards (“IASs”) and Interpretation issued by the IASB. The Condensed Consolidated Interim Financial Statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Listing Rules.

The interim results announcement does not include all the notes of the type normally included in an annual financial report. Accordingly, this announcement is to be read in conjunction with the annual report of the Company for the year ended 30 June 2019 (the “Year 2019”).

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period and the particulars of the Group’s adoption of new and amended standards are set out below.

### 4. APPLICATION OF NEW AND REVISED IFRSs

#### **New standards and revised existing standards adopted by the Group**

The accounting policies adopted in the preparation of the Condensed Consolidated Interim Financial Statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the Year 2019, except for the adoption of new standards effective as of 1 January 2019.

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

As 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:

Amendments to IFRS 3	<i>Definition of a Business<sup>1</sup></i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material<sup>1</sup></i>
Amendments to IAS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
IFRS 17	<i>Insurance Contracts<sup>2</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>3</sup> Effective date to be determined.

Other than as explained below regarding the impact of IFRS 16 *Leases*, Amendments to IAS 28 *Long-term interests in Associates and Joint Ventures* and IFRIC-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Condensed Consolidated Interim Financial Statements.

The Directors do not anticipate that the application of other new and revised IFRSs will have material impact on the financial position and financial performance of the Group.

### ***Adoption of IFRS 16 Leases***

#### *Impacts on Transition*

Lease liabilities as at 1 July 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 July 2019 and included in lease liabilities. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 July 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following practical expedient when applying IFRS 16 as at 1 July 2019:

- Applied the short-term lease exemptions to lease with a lease term that ends within 12 months from the date of initial application

(a) The impacts arising from adoption of IFRS 16 as at 1 July 2019 are as follows:

	Increase/ (decrease) S\$'000 (Unaudited)
<b>Assets</b>	
Increase in right-of-use assets	<u>27</u>
<b>Liabilities</b>	
Increase in lease liabilities	<u><u>27</u></u>

(b) Nature of the effect of adoption of IFRS 16

The lease liabilities as at 1 July 2019 reconciled to the operating lease commitments as at 30 June 2019 are as follows:

	Increase/ (decrease) S\$'000 (Unaudited)
Operating lease commitments as at 30 June 2019	29
Weighted average incremental borrowing rate as at 1 July 2019	4.5%
Discounted operating lease commitments as at 1 July 2019	<u>27</u>
Lease liabilities as at 1 July 2019	<u><u>27</u></u>

(c) Amounts recognised in the statement of financial position and profit or loss

	Right-of-use assets <i>S\$'000</i> (Unaudited)	Lease liabilities <i>S\$'000</i> (Unaudited)
As at 1 July 2019	27	27
Depreciation charge	(9)	—
Interest expense	—	1
Payment	—	(9)
	<u>          </u>	<u>          </u>
<b>As at 31 December 2019</b>	<b><u>          18</u></b>	<b><u>          19</u></b>

## 5. REVENUE AND SEGMENT INFORMATION

### Revenue

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

	<b>Six months ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>S\$'000</i>	<i>S\$'000</i>
	(Unaudited)	(Unaudited)
Search engine marketing services	<b>10,719</b>	11,916
Creative and technology services	<b>2,473</b>	1,684
Social media marketing services	<b>621</b>	417
	<u>          </u>	<u>          </u>
	<b><u>          13,813</u></b>	<b><u>          14,017</u></b>
	<b>Six months ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>S\$'000</i>	<i>S\$'000</i>
	(Unaudited)	(Unaudited)
<b>Timing of revenue recognition:</b>		
Over time:		
— Search engine marketing services	<b>10,719</b>	11,916
— Social media marketing services	<b>621</b>	417
	<u>          </u>	<u>          </u>
	<b>11,340</b>	12,333
At point in time:		
— Creative and technology services	<b>2,473</b>	1,684
	<u>          </u>	<u>          </u>
	<b><u>          13,813</u></b>	<b><u>          14,017</u></b>

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 one 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 been transferred to the customers (i.e. service performed) as the Group has the right to payment for its services and customers have accepted its services. Revenues 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 the types of services provided.

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

1. Search engine marketing services — online marketing services in Singapore and Malaysia that involve the promotion of websites by increasing their visibility in search engine results pages primarily through paid advertising.
2. Creative and technology services — website development and hosting and other advertisement supporting services in Singapore and Malaysia.
3. Social media marketing services — online advertising services in Singapore and Malaysia that utilise the unique features of social media platform to deliver customised information to specific target customers.

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

### **Segment revenue and results:**

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

**For the six months ended 31 December 2018**

	Search engine marketing services <i>S\$'000</i> (Unaudited)	Creative and technology services <i>S\$'000</i> (Unaudited)	Social media marketing services <i>S\$'000</i> (Unaudited)	Total <i>S\$'000</i> (Unaudited)
<b>REVENUE</b>				
External sales and segment revenue	<u>11,916</u>	<u>1,684</u>	<u>417</u>	<u>14,017</u>
<b>RESULTS</b>				
Segment profit	<u>3,369</u>	<u>1,309</u>	<u>129</u>	4,807
Unallocated other income				115
Other losses				(24)
Selling expenses				(580)
General and administrative expenses				(1,299)
Listing expenses				(794)
Finance costs				<u>(21)</u>
Profit before taxation				<u>2,204</u>

**For the six months ended 31 December 2019**

	Search engine marketing services <i>S\$'000</i> (Unaudited)	Creative and technology services <i>S\$'000</i> (Unaudited)	Social media marketing services <i>S\$'000</i> (Unaudited)	Total <i>S\$'000</i> (Unaudited)
<b>REVENUE</b>				
External sales and segment revenue	<u>10,719</u>	<u>2,473</u>	<u>621</u>	<u>13,813</u>
<b>RESULTS</b>				
Segment profit	<u>2,803</u>	<u>2,145</u>	<u>233</u>	5,181
Unallocated other income				107
Other losses				(16)
Selling expenses				(592)
General and administrative expenses				(2,077)
Finance costs				<u>(28)</u>
Profit before taxation				<u>2,575</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 losses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

#### **Segment assets and liabilities**

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

#### **Geographical information**

##### ***Revenue by geographical location***

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

	<b>Six months ended 31 December</b>	
	<b>2019</b>	2018
	<b>S\$'000</b>	S\$'000
	<b>(Unaudited)</b>	(Unaudited)
Singapore (country of domicile)	<b>12,641</b>	11,583
Malaysia	<b>1,172</b>	2,434
	<b><u>13,813</u></b>	<u>14,017</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.

	<b>31 December</b>	30 June
	<b>2019</b>	2019
	<b>S\$'000</b>	S\$'000
	<b>(Unaudited)</b>	(Audited)
Singapore (country of domicile)	<b>8,442</b>	3,664
Malaysia	<b>38</b>	13
	<b><u>8,480</u></b>	<u>3,677</u>

##### ***Information about major customers***

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

## 6. OTHER INCOME

	Six months ended 31 December	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
	(Unaudited)	(Unaudited)
Government grants ( <i>Note</i> )	1	29
Rental income	54	58
Interest income	25	—
Others	27	28
	<u>107</u>	<u>115</u>

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

## 7. OTHER LOSSES

	Six months ended 31 December	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
	(Unaudited)	(Unaudited)
Net exchange losses	16	24

## 8. FINANCE COSTS

	Six months ended 31 December	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings	27	21
Interest expense on lease liabilities	1	—
	<u>28</u>	<u>21</u>

## 9. INCOME TAX EXPENSE

	<b>Six months ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Tax expense comprises:		
Current tax:		
— Singapore corporate income tax (“CIT”)	<b>500</b>	402
— Malaysia income tax	<b>(2)</b>	96
Under/(Over) provision from prior years	<b>5</b>	(3)
Deferred tax	<b>(12)</b>	—
	<b>491</b>	495

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

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

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:

	<b>Six months ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit before taxation	<b>2,575</b>	2,204
Tax at Singapore CIT rate of 17%	<b>438</b>	375
Tax effect of income tax not taxable for tax purpose	<b>(63)</b>	(26)
Tax effect of different tax rate in foreign jurisdiction	<b>(1)</b>	15
Effect of tax concession	<b>—</b>	(8)
Tax effect of expenses not deductible for tax purpose	<b>112</b>	152
Under/(Over) provision from prior years	<b>5</b>	(3)
Others	<b>—</b>	(10)
	<b>491</b>	495

## 10. PROFIT FOR THE PERIOD

	Six months ended 31 December	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' emoluments:		
Fees	45	—
Salaries, allowances and other benefits	467	472
Retirement benefit scheme contributions	30	24
	<u>542</u>	<u>496</u>
Other staff costs:		
Salaries, allowances and other benefits	1,560	1,121
Retirement benefit scheme contributions	173	155
	<u>2,275</u>	<u>1,772</u>
Auditors' remuneration	99	12
Minimum lease payments	127	62
Depreciation expenses:		
Investment property	34	34
Plant and equipment	38	30
Right-of-use assets	9	—
Bad debt directly written off	27	32
Impairment loss, net of reversal on trade receivables	63	9
Gross rental income from an investment property	(54)	(58)
Less: direct operating expenses incurred for investment property that generated rental income during the period	34	34
	<u>(20)</u>	<u>(24)</u>

## 11. DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2019 (six months ended 31 December 2018: nil).

## 12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the six months ended 31 December 2019 of approximately S\$2,084,000 (2018: profit S\$1,709,000) and the weighted average number of ordinary shares of the Company in issue during the period calculated as follows:

	<b>Six months ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit attributable to the owners of the Company ( <i>S\$'000</i> )	<b>2,084</b>	1,709
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<b>800,000</b>	600,000
Basic and diluted earnings per share (Singapore cent)	<b><u>0.25</u></b>	<b><u>0.28</u></b>

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

## 13. MOVEMENT IN PLANT AND EQUIPMENT

During the six months ended 31 December 2019, the Group acquired plant and equipment at a total cost of approximately S\$45,000 (six months ended 31 December 2018: S\$11,000). In addition, there was a disposal of plant and equipment at cost of approximately S\$2,300 during the six months ended 31 December 2019 (six months ended 31 December 2018: nil).

As at 31 December 2019, plant and equipment had carrying amount of approximately S\$96,000 (30 June 2019: S\$89,000).

#### 14. TRADE AND OTHER RECEIVABLES

	<b>31 December 2019 S\$'000 (Unaudited)</b>	30 June 2019 S\$'000 (Audited)
<b>Current assets:</b>		
Trade receivables	4,367	4,274
Less: Allowance for doubtful debts	<u>(265)</u>	<u>(239)</u>
	4,102	4,035
Unbilled revenue	<u>2,262</u>	<u>2,577</u>
	<u><b>6,364</b></u>	<u><b>6,612</b></u>
Deposits	39	39
Prepayments	81	88
Staff loans	268	140
Other receivables	<u>35</u>	<u>17,254</u>
Total trade and other receivables	<u><b>6,787</b></u>	<u><b>24,133</b></u>
<b>Non-current assets:</b>		
Advance payments for purchase of plant and equipment	<u>5,293</u>	<u>493</u>
Total	<u><b>5,293</b></u>	<u><b>493</b></u>

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

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

	<b>31 December 2019 S\$'000 (Unaudited)</b>	30 June 2019 S\$'000 (Audited)
Less than 30 days	1,490	1,354
31–60 days	725	726
61–90 days	263	373
Over 90 days	<u>1,624</u>	<u>1,582</u>
	<u><b>4,102</b></u>	<u><b>4,035</b></u>

Movement in allowance for doubtful debts:

	<b>31 December 2019 S\$'000 (Unaudited)</b>	30 June 2019 S\$'000 (Audited)
At 1 July	239	260
Provision for impairment loss on trade receivables	65	148
Written off	<u>(39)</u>	<u>(169)</u>
	<u><b>265</b></u>	<u><b>239</b></u>

#### 15. CASH AND CASH EQUIVALENTS

	<b>31 December 2019 S\$'000 (Unaudited)</b>	30 June 2019 S\$'000 (Audited)
Time deposits	15,640	—
Cash at bank and on hand	<u>5,289</u>	<u>9,788</u>
	<u><b>20,929</b></u>	<u><b>9,788</b></u>

#### 16. TRADE AND OTHER PAYABLES

	<b>31 December 2019 S\$'000 (Unaudited)</b>	30 June 2019 S\$'000 (Audited)
Trade payables	2,576	2,746
Accrued expenses	287	211
Accrued listing expenses/share issue costs	—	1,851
Deposits received	427	243
Goods and services tax payables	427	355
Other payables	<u>103</u>	<u>1,042</u>
	<u><b>3,820</b></u>	<u><b>6,448</b></u>

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

	<b>31 December 2019 S\$'000 (Unaudited)</b>	30 June 2019 S\$'000 (Audited)
1 to 30 days	1,284	1,373
31 to 60 days	1,269	1,367
61 to 90 days	9	3
91 to 120 days	14	3
	<u>2,576</u>	<u>2,746</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:

	<b>31 December 2019 S\$'000 (Unaudited)</b>	30 June 2019 S\$'000 (Audited)
At the beginning of the period/year	3,083	3,421
Receipt from customers upon entering into sales contracts during the period/year	10,722	24,010
Revenue recognised that was included in the contract liabilities balance at the beginning of the period/year	(3,083)	(3,421)
Revenue recognised during the period/year that was related to receipt from customers in the same period/year	<u>(8,257)</u>	<u>(20,927)</u>
At the end of the period/year	<u>2,465</u>	<u>3,083</u>

## 18. BANK BORROWINGS

	<b>31 December 2019</b>	30 June 2019
	<i>S\$'000</i>	<i>S\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Secured mortgage loans	<u><b>2,174</b></u>	<u>2,234</u>

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

The range of effective interest rates of the Group's bank borrowing was at 2.48%–2.78% for the six months ended 31 December 2019 (1.68%–2.48% for the year ended 30 June 2019).

## 19. SHARE CAPITAL

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

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

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

- (ii) On 3 June 2019, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$100,000,000 divided into 10,000,000,000 shares by the creation of an additional 9,962,000,000 shares which rank pari passu in all respects with existing shares.
- (iii) On 3 June 2019, Ms. Teo Li Lian (“Ms. Teo”), Mr. Teo Kuo Liang (collectively, the “Controlling Shareholders”), Aactiva Media Investment and the Company entered into a sale and purchase agreement, pursuant to which Aactiva Media Investment transferred its entire shareholdings in Aactiva (BVI) to the Company in consideration of the Company allotting and issuing 99 shares to Aactiva Media Investment, credited as fully paid.
- (iv) On 26 June 2019, HK\$5,999,999 standing to the credit of the share premium account of the Company was capitalised by applying such sum in paying up in full at par 599,999,900 shares for allotment and issue to the shareholders in proportion to their then shareholdings in the Company so that the shares allotted and issued shall rank pari passu in all respects with the then existing issued shares. This transaction is a non-cash transaction.
- (v) On 26 June 2019, the Company’s total number of ordinary shares, which were issued and fully paid, increased to 800,000,000 by the Company issuing 200,000,000 new shares from a share offer. The 200,000,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$0.65 per share for a total consideration of HK\$130,000,000 (equivalent to approximately S\$22,567,000) with listing expenses of approximately S\$1,812,000 being charged to the share premium account of the Company. On the same date, the issued shares were successfully listed on the Main Board of the Stock Exchange.

## **20. SHARE PREMIUM**

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW AND PROSPECTS**

The Group offers a comprehensive suite of digital marketing services: search engine marketing, social media marketing, organic search marketing and website design and development. Our integrated solutions enable businesses to make major strides in enhancing their online presence, allowing them to tap on a significantly larger customer base and data amidst today's rapidly digitalising economy.

With Singapore's official goal to become a leading digital economy — an economy based around computing technologies — businesses and industries alike are now attempting to transform themselves as quickly as possible in order to raise revenue, productivity and efficiency.

In particular, small and medium enterprises (“SMEs”) are given greater attention to support them in this transition. With SMEs forming the bulk of our diverse customer base, we believe that this is where our services can come in to close the gap, helping SMEs establish a more appealing and effective digital presence and turning higher returns on investment.

The Group also continues to develop advanced and innovative technologies to enhance our technological infrastructure and range of service offerings, providing ever-greater value to our customers in time to come.

The recent Novel Coronavirus epidemic spreading worldwide will inevitably affect the global economy, including Singapore and Malaysia. However, as the Group's major business activities are contracted between six-month and one-year terms and the Group has no Mainland-based suppliers or customers, the management does not expect the Novel Coronavirus situation to have an immediate impact on the Group in the short term. Except for the cancellation of some meetings with customers due to precaution or work from home arrangement, the overall operation of the Group has been stable since the outbreak of the disease up to the date of this announcement.

Business owners of retail, trade, service, catering or travel sectors may suffer from the Novel Coronavirus situation and have less demands from their customers. As such, business owners who are our existing customers may request us to reduce their monthly advertising spending, hold up their advertising campaign or decide not to renew the advertising contracts. Also, considering that there will be less travelling due to the disease, it would be more challenging for the sales team of the Group, which would incur extra costs, to carry out marketing activities and bring in new customers. Therefore, in the medium to long term, the management expects that the Novel Coronavirus situation would bring a negative impact on the Group.

In view of the above, the Group will closely monitor the market, the demands from customers as well as its costs and expenses to ensure effectiveness and efficiency of the Group during the period. The Group will timely update the Company's shareholders (the "Shareholders") and investors should there be any material changes to the Group's business performance. Internally, the Group has taken several measures to prevent the infection of the Novel Coronavirus, such as conducting daily temperature test for all employees, providing hand sanitiser and reducing travelling arrangement.

## FINANCIAL REVIEW

### Revenue

The Group's revenue was generated from the online marketing services which comprised the provision of: (i) search engine marketing services; (ii) creative and technology services; and (iii) social media marketing services.

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

	For the six months ended 31 December					
	2019		2018		Variance	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Search engine marketing services	<b>10,719</b>	<b>77.6</b>	11,916	85.0	(1,197)	-10.0
Creative and technology services	<b>2,473</b>	<b>17.9</b>	1,684	12.0	789	+46.9
Social media marketing services	<b>621</b>	<b>4.5</b>	417	3.0	204	+48.9
	<b><u>13,813</u></b>	<b><u>100.0</u></b>	<u>14,017</u>	<u>100.0</u>	<u>(204)</u>	<u>-1.5</u>

Our overall revenue has maintained stable at approximately S\$13.8 million for the six months ended 31 December 2019. Revenue from search engine marketing services decreased mainly due to a decrease in contract revenue from a major customer arising from a change of their business strategy. Such decrease in revenue of search engine marketing services was set off by the increase in revenue of the other two business segments of the Group. Revenue from creative and technology services and social media marketing services increased by approximately 46.9% and 48.9%, respectively compared to the six months ended 31 December 2018.

Search engine marketing services continued to be our largest revenue contributor. The increase in revenue from creative and technology services was attributable to the increase in revenue from search engine optimisation, which led to the increase in gross profit by approximately 7.8% compared to the six months ended 31 December 2018 as search engine optimisation contributed the highest margin among the other segments. The increase in revenue from social media marketing services was attributable to the increase in revenue from both Singapore and Malaysia.

## **Cost of Services**

Our cost of services decreased from approximately S\$9.2 million in the six months ended 31 December 2018 to approximately S\$8.6 million in the six months ended 31 December 2019. There were two main reasons, namely: (i) a decrease in the revenue of search engine marketing services and (ii) a decrease in the fixed cost relating to print publications within the creative and technology services segment.

## **Other Income**

Our other income consisted of (i) government grants received from the Singapore government for the employment of Singapore citizens aged 55 and above; (ii) rental income; and (iii) interest income from time deposits. Our other income has decreased from approximately S\$115,000 in the six months ended 31 December 2018 to approximately S\$107,000 in the six months ended 31 December 2019 as the government grant from Singapore National Employers Federation in 2018 was a one-time item.

## **Other Losses**

Our other losses consisted of net exchange losses arising from our Malaysia subsidiary and the Company. The fluctuation of our other losses were primarily due to the movement of exchange rates of S\$ against Malaysia Ringgit (“MYR”) and S\$ against Hong Kong dollars.

## **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 remained relatively stable at approximately S\$0.6 million for the six months ended 31 December 2019.

## **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\$1.3 million in the six months ended 31 December 2018 to approximately S\$2.1 million in the six months ended 31 December 2019.

The increase in general and administrative expenses was mainly due to our manpower expansion as well as higher professional fees incurred after the listing. The increase was primarily due to the increases in (i) professional fees of approximately S\$0.3 million due to payments made for compliance advisory, company secretarial, financial report printing and various other services required by the Company after its listing; (ii) staff costs of

approximately S\$0.3 million due to expansion of the manpower as well as payment of a one-off staff bonus after the listing; and (iii) allowance for doubtful debts of approximately S\$0.1 million.

### **Finance Costs**

Finance costs increased to approximately S\$28,000 (2018: S\$21,000) for the period under review. This item comprised interest expenses on lease liabilities.

### **Income Tax Expense**

Our income tax expense primarily consisted of provision for Singapore current income tax expense. The Group's income tax expense decreased slightly from approximately S\$495,000 in the six months ended 31 December 2018 to approximately S\$491,000 in the six months ended 31 December 2019. Such decrease was mainly attributable to lower tax rebates available for utilisation during the Reporting Period.

### **Profit for the Period**

Profit for the period increased from approximately S\$1.7 million for the six months ended 31 December 2018 to approximately S\$2.1 million for the six months ended 31 December 2019. For the Reporting Period, adjusted profit (after excluding listing expenses) decreased from approximately S\$2.5 million for the six months ended 31 December 2018 to approximately S\$2.1 million for the six months ended 31 December 2019. The decrease in adjusted profit was mainly due to an increase in general and administrative expenses mentioned above, partly offset by the increase in gross profit.

### **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the Reporting Period (six months ended 31 December 2018: nil).

### **FINANCIAL POSITIONS**

As at 31 December 2019, our total equity was approximately S\$26.7 million as compared to approximately S\$24.6 million as at 30 June 2019. The increase was mainly attributable to the increase in profit from operating activities.

As at 31 December 2019, our net current assets were approximately S\$20.3 million as compared to approximately S\$23.0 million as at 30 June 2019. The decrease was mainly due to the S\$4.8 million advanced payment made to an independent vendor for an acquisition of plant and equipment in relation to the technological infrastructure during the six months ended 31 December 2019.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Capital Commitments**

As at 31 December 2019, the Group had capital commitments for the acquisition of plant and equipment amounting to approximately S\$5.3 million (30 June 2019: S\$493,000).

### **Borrowings**

Our bank borrowings of approximately S\$2.2 million as at 31 December 2019 were secured against investment property with carrying amount of approximately S\$3.0 million as at 31 December 2019.

### **Significant Investment Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures**

The Group did not have any significant investment, material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

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

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

### **Gearing Ratio**

The gearing ratio of the Group as at 31 December 2019 was approximately 8.1% (31 June 2019: 9.1%). The gearing ratio is calculated as total interest-bearing liabilities divided by total equity as at the respective period end. The decrease was mainly due to the increase in the Group’s equity arising from increase in retained earnings while the Group’s total interest-bearing liabilities remained relatively stable.

### **Foreign Exchange Exposure**

The main operations of the Group are in Singapore and Malaysia and most of the Group’s transactions and cash and cash equivalents are denominated in S\$ and MYR. 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 2019, we did not have any unrecorded significant contingent liabilities, guarantees or any litigations against us.

## SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

No significant events affecting the Group occurred subsequent to 31 December 2019 and up to the date of this announcement.

## USE OF NET PROCEEDS FROM LISTING

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 26 June 2019. The net proceeds from the listing (the “Net Proceeds”) were approximately HK\$92.0 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 2019:

	Intended use of Net Proceeds from the share offer		Amount utilised as at		Approximate percentage utilised as at	Remaining balance as at	Expected timeline
	Proportion		30 June 2019	31 December 2019	31 December 2019	31 December 2019	
	HK\$ million	%	HK\$ million	HK\$ million	%	HK\$ million	
Strengthening our technological infrastructure	58.2	63.3	—	27.6	30.0	30.6	Q4 2019 <sup>Note</sup>
Acquisition of a website development and hosting company	26.2	28.5	—	—	—	26.2	Q1 2021
Establishment of a sales office in Johor Bahru, Malaysia	5.3	5.7	—	—	—	5.3	Q4 2020
Working capital	2.3	2.5	—	—	—	2.3	—
<b>Total</b>	<b>92.0</b>	<b>100.0</b>	<b>—</b>	<b>27.6</b>	<b>30.0</b>	<b>64.4</b>	

*Note:* The deployment of the Net Proceeds for strengthening technological infrastructure is divided into phases and the initial deployment was in Q4 2019, as detailed in the Prospectus.

The management has been conducting a feasibility study to identify a potential office in Johor Bahru, Malaysia. Due to the recent Novel Coronavirus situation, the management has reduced its traveling to Malaysia for the feasibility study. Considering the negative impact of the Novel Coronavirus on the global economy, including Singapore and Malaysia, the management expects to delay the establishment of the sales office in Johor Bahru when the Novel Coronavirus situation is contained. The expected time for deploying the Net Proceeds for the establishment of Johor Bahru office would be delayed to Q4 2020.

The Group engaged an independent vendor to develop Platform A and Platform B (as defined in the Prospectus) and the vendor is in the midst of the design phase which includes:

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

Platform B: Login page, interface to setup campaign, interface and template of reports

Due to relatively strict experience and qualification requirements, the Group has yet to identify suitable candidates for project manager and project engineers as at the date of this announcement. Meanwhile, in order to enable a smooth progress on the implementation and installation of the technological infrastructure, the Group intends to designate certain internal staff to monitor and supervise the development and operation of the technological infrastructure.

As at 31 December 2019, approximately HK\$27.6 million was paid to the vendor as advanced payment for developing Platform A and Platform B. The remaining Net Proceeds for the technological infrastructure will be utilised as follows:

- (i) approximately 25.0% will be utilised as payment in March 2020 according to the terms agreed with the vendor;
- (ii) approximately 25.0% will be utilised for Platform A when the development of Platform A is close to completion (expected to be in Q3 2021);
- (iii) approximately 25.0% will be utilised for Platform B when the development of Platform B is close to completion (expected to be in Q4 2022); and
- (iv) approximately 25.0% will be utilised for development of Platform C (as defined in the Prospectus). Considering the potential negative impact brought by the Novel Coronavirus, which may impact the timing of developing Platform C, the Group intends to extend the expected time for deploying Net Proceeds for Platform C from Q2 2020 to Q4 2020.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2019, the Group had 71 (30 June 2019: 58) employees and our employee remuneration for the Reporting Period totalled approximately S\$2.3 million (including salary, bonus, and other employee benefits). The amount was approximately S\$3.7 million for the year ended 30 June 2019. 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 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 2019 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 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 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.

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 had been 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. Proper insurance coverage in respect of legal actions against the Directors’ liabilities was arranged by the Company in early October 2019 and since then, the Company has complied with code provision A.1.8 of the CG Code.

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

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct governing the securities transactions by the Directors. Following a specific enquiry made by the Company on each of the 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. Tan Eng Ann and Mr. Lee Shy Tsong. Mr. Tan Eng Ann is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review the financial information of the Group, oversee the Group’s financial report system, risk management and internal control systems, provide advice and comments to the Board, and monitor the independence and objectivity of the external auditor.

#### **REVIEW OF INTERIM RESULTS**

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 31 December 2019, 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 2019/2020 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 2019 will be despatched to the Shareholders and will be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of the Company ([www.amgroup Holdings.com](http://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**

*Chairlady, Executive Director and Chief Executive Officer*

Hong Kong, 24 February 2020

*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 independent non-executive Directors, namely Mr. Chung Kwok Hoe, Mr. Tan Eng Ann and Mr. Lee Shy Tsong.*