

# 2020 ANNUAL REPORT

AM  
GROUP  
HOLDINGS  
LIMITED

秀商時代控股有限公司  
(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)  
STOCK CODE: 1849



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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Ms. Teo Li Lian (*Chairlady and Chief Executive Officer*)  
Mr. Teo Kuo Liang

### NON-EXECUTIVE DIRECTOR

Ms. Zhang Hong (appointed on 22 September 2020)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung Kwok Hoe  
Mr. Tan Eng Ann  
Mr. Lee Shy Tsong

### AUDIT COMMITTEE

Mr. Tan Eng Ann (*Chairman*)  
Mr. Chung Kwok Hoe  
Mr. Lee Shy Tsong

### REMUNERATION COMMITTEE

Mr. Lee Shy Tsong (*Chairman*)  
Ms. Teo Li Lian  
Mr. Chung Kwok Hoe  
Mr. Tan Eng Ann

### NOMINATION COMMITTEE

Mr. Chung Kwok Hoe (*Chairman*)  
Mr. Tan Eng Ann  
Mr. Lee Shy Tsong

### COMPANY SECRETARY

Sir Kwok Siu Man KR

### AUTHORISED REPRESENTATIVES

Ms. Teo Li Lian  
Sir Kwok Siu Man KR

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

60 Paya Lebar Road  
#12-51/52  
Paya Lebar Square  
Singapore 409051

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 5705, 57th Floor  
The Center  
99 Queen's Road Central  
Hong Kong

### COMPLIANCE ADVISER

Altus Capital Limited  
21 Wing Wo Street  
Central  
Hong Kong

### INDEPENDENT AUDITOR

Deloitte & Touche LLP  
Public Accountants and Chartered Accountants  
6 Shenton Way  
OUE Downtown 2  
#33-00  
Singapore 068809

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## CORPORATE INFORMATION (CONTINUED)

### PRINCIPAL BANKERS

#### *Hong Kong*

DBS Bank (Hong Kong) Limited  
Institutional Banking Group  
16th Floor  
The Center  
99 Queen's Road Central  
Hong Kong

#### *Singapore*

United Overseas Bank Limited  
80 Raffles Place  
UOB Plaza  
Singapore 048624

#### *Malaysia*

CIMB Bank Berhad  
Menara Bumiputra Commerce  
No. 11 Jalan Raja Laut  
50350 Kuala Lumpur

### COMPANY WEBSITE

<http://www.amgroupholdings.com/>

### LISTING INFORMATION

Place of Listing: The Main Board of The Stock  
Exchange of Hong Kong Limited  
Stock Code: 1849  
Board Lot: 5,000 shares

## CHAIRLADY'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of AM Group Holdings Limited (the "Company"), I am pleased to present the second annual report of the Company for the year ended 30 June 2020 ("FY2020" or the "Year") since its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

We entered the year with a strong start, fuelled by the growth and optimism from our good performance the year before — our momentous first year after listed on the Stock Exchange. While the first half of FY2020 went relatively well, the global novel coronavirus disease 2019 (the "COVID-19") pandemic started to take its toll locally and abroad by the early months of 2020.

Indeed, due to the impact of COVID-19, the performance of the Company and its subsidiaries (the "Group") was affected mainly in the last quarter of FY2020, with a 14% decrease in revenue compared to that for the year ended 30 June 2019 ("FY2019") (resulting from an 18.1% decrease in revenue from our Search Engine Marketing Services segment). Fortunately, this was cushioned by our Social Media Marketing Services segment's revenue growing by 14.7%, and our Creative and Technology Services segment's revenue remaining stable with only a slight decrease of 1.2%.

While the Group still recorded a profit in FY2020, it decreased by around 56% as compared to approximately S\$5.7 million in FY2019 (after excluding the one-off listing expenses of approximately S\$3.0 million incurred in relation to the listing of the shares of the Company (the "Shares") on the Stock Exchange in FY2019).

Despite the decrease in revenue in FY2020, the Group remained thankful that its business remained profitable, in part due to our large client base comprising close to 500 active clients across diverse industry sectors. With COVID-19 impacting certain sectors more than others, such as the Travel industry and Events industry; the diversity of our client base becomes of great importance as the number of clients that we have in these sectors are very small, thus we were still able to maintain relative stability in spite of the current economic climate.

It is noteworthy that while many clients tightened their purses during these unprecedented times; many actually decided to invest more into laying a stronger digital presence now, in preparation for when the markets reopen and restrictions on mobility ease. This marketing strategy is one that we shall continue to actively encourage, particularly since COVID-19 restrictions around the world have actually boosted rapid digitalisation of businesses and sent online traffic from consumers spiking to an all-time high.

The Group will continue to explore new opportunities within this new world order, effectively using our 15-year expertise in digital marketing and web design to help businesses succeed online during a time when online visits and transactions have never been higher.

To further boost our financial standing and business profile in the Greater China region and our market share in the People's Republic of China (the "PRC"), the Group will continue to actively explore new business opportunities in the region, such as the Company recently entered into the sale and purchase agreement to acquire a 20% interest in Majestic State International Limited for holding the entire equity interest of Show Times (Chongqing) Technology Co. Ltd., a PRC company. We believe that this new business venture will help the Group to further expand and diversify its business operations as well as its client base.

Finally, on behalf of the Group, I wish to express my heartfelt gratitude to our staff for their hard work, as well as our shareholders, business partners and clients for their continued trust and support in us.

**Ms. Teo Li Lian**

*Chairlady*

Singapore, 30 September 2020

# DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Ms. Teo Li Lian (Zhang Lilian) (張麗蓮)** (“Ms. L Teo”), aged 41, has been with our Group since August 2005. She was appointed as a director of the Company (the “Director”) on 7 December 2017 and re-designated as the chairlady (the “Chairlady”) of the board of Directors (the “Board”), an executive Director and the chief executive officer of our Company on 29 June 2018. She is also a member of the remuneration committee of the Board (the “Remuneration Committee”) and a director of Aactiva Media Investment Limited (“Aactiva Media Investment”), a controlling shareholder of the Company (the “Controlling Shareholder”). Ms. L Teo is responsible for overall strategic planning, sales and marketing, management and operation of our Group. She is currently a director of our subsidiaries Aactiva Media Holdings Limited (“Aactiva Media (BVI)”), Aactiva Media Pte. Ltd. (“Aactiva Media (S)”), Aactiva Media Consultancy Pte. Ltd. (“Aactiva Media Consultancy”) and SG AactivaMedia (M) Sdn. Bhd. (“Aactiva Media (M)”).

Ms. L Teo is an entrepreneur with close to 15 years of start-up and operational experience in the online marketing service industry and has been instrumental in leading the growth of our Group over the years. She has cultivated our Group’s core value and culture. Her industry knowledge, in-depth understanding of the market and the needs of our customers and her hands-on approach in management and staff training have been invaluable in the establishment of our sales and customer relations teams and the expansion of our Group’s customer base locally and regionally. Ms. L Teo started her career and had worked at the Royal & Sun Alliance Insurance Pte Ltd from November 1998 to August 2001. She then worked at eGuide Singapore Pte. Ltd from August 2001 to August 2005.

Ms. L Teo obtained a Diploma in Risk & Insurance Management from Nanyang Polytechnic of Singapore in May 1998. She is the elder sister of Mr. Teo Kuo Liang, an executive Director of our Company.

**Mr. Teo Kuo Liang (Zhang Guoliang) (張國良)** (“Mr. V Teo”), aged 39, has been with our Group since August 2005. He was appointed as a Director on 7 December 2017 and re-designated as an executive Director on 29 June 2018. He is also a director of Aactiva Media Investment, a Controlling Shareholder. Mr. V Teo is responsible for branding and business development of our Group. He is currently a director of our subsidiaries Aactiva Media (BVI), Aactiva Media (S) and Aactiva Media Consultancy.

In his close to 15 years of start-up and operational experience of online marketing with our Group, Mr. V Teo drove the development of our Group. He has been instrumental in growing key accounts, developing new services for our Group (such as social media marketing services and search engine optimisation), expanding our customer base to new industries as well as building up our brand. Mr. V Teo has led our management team to better align the digital marketing, web, sales, customer relations and administration & accounts departments to increase efficiency across the board.

Mr. V Teo obtained a degree of Bachelor of Engineering (Mechanical Engineering) from the National University of Singapore in June 2005. Mr. V Teo is the younger brother of Ms. L Teo, the Chairlady, an executive Director and the chief executive officer of the Company.

### Non-executive Director

**Ms. Zhang Hong (張虹)** (“Ms. Zhang”), aged 53, was appointed as a non-executive Director on 22 September 2020. She has about 20 years of management experience gained from working in the cultural and education sectors in the People’s Republic of China (the “PRC”). Ms. Zhang joined Star Show (Xiamen) Cultural Creativity Co., Ltd. in August 2019 as the chairlady of its board of directors. Ms. Zhang was the general manager of Shanghai Life of Garden Network Culture Co., Ltd. from April 2014 to March 2019, the chairlady of the board of directors of Shanghai Jihong Education Information Consulting Co., Ltd. from May 2009 to March 2014 and the general manager of Satir Center (Shanghai) Culture Co., Ltd. from July 2002 to May 2009.

Ms. Zhang graduated from Tongji University in the PRC with a master of business administration degree.

## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### Independent Non-executive Directors

**Mr. Chung Kwok Hoe (曾國豪)** (“Mr. Chung”), aged 42, was appointed as an independent non-executive Director (the “INED”) on 3 June 2019. He is the chairman of the nomination committee of the Board (the “Nomination Committee”), and a member of the audit committee of the Board (the “Audit Committee”) and the Remuneration Committee.

Mr. Chung has over 16 years of experience in financial advisory, accounting, taxation, and auditing. From August 2002 to November 2005, Mr. Chung worked at KPMG Singapore and his last held position was a senior associate. From November 2005 to September 2010, Mr. Chung worked at PricewaterhouseCoopers Singapore and his last held position was a manager. Mr. Chung is currently working at WSC Partnership and became a partner of the said partnership in September 2012.

Mr. Chung obtained a degree of Bachelor of Accountancy from Nanyang Technological University, Singapore in June 2002. Mr. Chung is qualified as a chartered accountant of Singapore and has been admitted as a member of the Institute of Singapore Chartered Accountants since July 2013.

**Mr. Tan Eng Ann (陳勇安)** (“Mr. Tan”), aged 52, was appointed as an INED on 3 June 2019. Mr. Tan is the chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee. Mr. Tan has more than 20 years of experience in audit, accounting and finance. The following table summarises Mr. Tan’s professional experience:

<b>Company name</b>	<b>Principal business activities</b>	<b>Last position held</b>	<b>Period of service</b>
A-IT Software Services Pte Ltd (being deployed to Citibank, N.A.)	IT outsourcing services provider	Financial analyst	November 1998 to June 1999
AIB Govett (Asia) Limited	Financial services	Marketing manager	December 1999 to October 2001
Standard Chartered Bank	Banking	Manager	September 2001 to July 2002
RH International Pte. Ltd.	Trading	Chief financial officer	May 2006 to present
IP Global Limited	Real estate agent	Director	February 2017 to present
SCK Securities Limited	Dealing and advising securities	Director	May 2017 to present
IPIM Holdings Limited	Investment holding	Director	October 2017 to present
SCK Assets Management Limited	Asset management	Director	May 2018 to present
IP Real Estate Investments Pte. Ltd.	Management consultancy services	Director	April 2019 to present

## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Tan has held numerous financial and management positions in listed companies in Singapore and Hong Kong. Since June 2013, he has been an independent non-executive director of Isoteam Ltd. (a company listed on Singapore Exchange Securities Trading Limited (“SGX-ST”) (Stock Code: 5WF)). From June 2016 to January 2018, Mr. Tan was an independent non-executive director of SingAsia Holdings Limited (a company listed on GEM (Stock Code: 8293)). From September 2014 to September 2016, he was an independent non-executive director of GCCP Resources Limited (a company listed on SGX-ST (Stock Code: 41T)). From November 2009 to July 2017, Mr. Tan was an independent non-executive director of Hiap Tong Corporation Ltd (a company listed on SGX-ST (Stock Code: 5PO)). From May 2007 to August 2014, he served as an executive director of R H Energy Ltd. (now known as CWG International Ltd and formerly known as Chiwayland International Limited) (a company previously listed on SGX-ST (Stock Code: ACW)).

Mr. Tan obtained a degree of Bachelor of Accountancy from Nanyang Technological University, Singapore in May 1992. He has also been a fellow member of the Institute of Singapore Chartered Accountants since January 2010. Mr. Tan has been a chartered financial analyst of the Association for Investment Management and Research since September 1999.

**Mr. Lee Shy Tsong** (“Mr. Lee”), aged 49, was appointed as an INED on 3 June 2019. Mr. Lee is the chairman of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee. Mr. Lee has 23 years of experience in the legal industry and has extensive experience in intellectual property law and manages intellectual property portfolios worldwide. Mr. Lee joined Donaldson & Burkinshaw LLP in September 1996 as a lawyer and became a partner of the firm in January 1998.

Mr. Lee obtained a degree of Bachelor of Laws (Hons.) from the National University of Singapore in June 1993 and received a Kuok Foundation Study Award for his undergraduate studies at the said University from year 1989 to 1993. He was awarded an Advance Diploma in Computer Studies in December 2001. Mr. Lee was admitted as a solicitor of the Supreme Court of Singapore in March 1994. Mr. Lee is also a registered Patent Agent in Singapore, a member of the Association of Singapore Patent Agents (ASPA) and a registered Trademark and Industrial Design Agent in Malaysia.

### SENIOR MANAGEMENT

**Ms. Wong Wan Ping** (黃婉屏), aged 33, is the head of digital marketing of our Group. She joined our Group in March 2009 as campaign specialist and was promoted to her current position in December 2017. She is responsible for overseeing and managing all online marketing campaigns for our Group and has approximately ten years of experience in marketing. She obtained a degree of Bachelor of Arts from the National University of Singapore in June 2008.

**Mr. Tan Ding Yuan** (陳鼎元), aged 36, is the head of customer relations of our Group. He joined our Group in April 2009 as an advertising executive and was promoted to his current position in December 2017. He is responsible for overseeing and managing communications and sales activities with existing clients of our Group and has approximately ten years of experience in sales and customer relations. He obtained a degree of Bachelor of Business (Management) from the RMIT University (formerly known as Royal Melbourne Institute of Technology) in Australia in August 2009.



## **DIRECTORS AND SENIOR MANAGEMENT** (CONTINUED)

**Mr. Lee Wee Chyun (李偉群)**, aged 29, is the head of sales of our Group. He joined our Group in May 2014 as an account executive and was promoted to his current position in December 2017. He is primarily responsible for overseeing and managing new client development and sales activities for our Group and has over five years of experience in sales and customer relations.

Prior to joining our Group, he worked at K Y Chik & Associates, an accounting firm, from September 2012 to July 2013. From November 2013 to May 2014, he worked at Shanker Iyer & Co, an accounting firm.

He obtained a Diploma in Management Studies from the SIM University in Singapore in June 2009.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. BUSINESS OVERVIEW AND PROSPECTS

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

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

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

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

In view of the challenging outlook as mentioned above, the Board is revisiting the Group's business plan as well as the stated use of proceeds raised from the share offer of the Company (the "Share Offer") set out in the prospectus of the Company dated 13 June 2019 (the "Prospectus"). Meanwhile, the Company is actively exploring investment opportunities. However, as at the date of this annual report, the Board has not decided whether or not to change the stated use of proceeds raised from the Share Offer; and/or whether to make any investments in the PRC and Greater China region. Further details are set out in the sections headed "MANAGEMENT DISCUSSION AND ANALYSIS – Use of Net Proceeds from Listing" and "REPORT OF THE DIRECTORS – USE OF NET PROCEEDS FROM LISTING" of this annual report. Should the Board decide to make any change of the use of proceeds raised from the Share Offer in the future, the Company will make separate announcement as soon as practicable.

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 2. RESULTS OF OPERATIONS

The following table sets for the consolidated statements of profit or loss for the year ended 30 June 2020 and the year ended 30 June 2019.

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

\* Amount less than S\$1,000

Our Group revenue decreased 14.3% as compared to the prior year. Due to the impact of COVID-19, it affected the performance of the Group in the last quarter of FY2020.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Revenue

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

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

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

### Cost of services

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Other income

Other income consisted of (i) government grants received from the Singapore government under the Job Support Scheme that provides wage support to employers to help them retain their local employees (Singapore citizens and permanent residents) during this period of economic uncertainty due to the COVID-19 pandemic situation; (ii) rental income; (iii) interest income from time deposits; and (iv) other income — mainly consisting of approximately S\$35,000 of forfeited rental deposit from units 11–52, Paya Lebar Square, Singapore due to a premature termination of the tenancy agreement. The premature termination of the tenancy agreement was due to tenants' business of provision of corporate training services being badly affected by the impact of COVID-19, which resulted in the cancellations of many events, training sessions and workshops.

### Other gains or losses

Our other gains or losses consisted of net exchange gains or losses arising (i) from our subsidiary in Malaysia and (ii) the net proceeds received from the Share Offer, which were denominated in Hong Kong dollars. The fluctuations of our other gains or losses were primarily arise from movements in Hong Kong dollars and Singapore dollars exchange rates. During FY2020, the Group did not experience any significant difficulty or impact on its operations or liquidity due to fluctuations in currency exchange rates. The management will continue to monitor the foreign exchange exposure and take prudent measures to reduce foreign exchange risks.

### Selling expenses

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

### General and administrative expenses

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

### Finance costs

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Income tax expense

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

### Profit for the year

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

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

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

### Adjusted profit for the year

Adjusted profit for the year amounted to approximately S\$2.5 million for FY2020 as compared to that of approximately S\$5.7 million (after excluding the listing expenses of approximately S\$3.0 million incurred in relation to the listing of the Shares on the Main Board of the Stock Exchange (the "Listing")) for FY2019, representing a decrease of approximately 54.5% for the Year.

The decrease was mainly due to the following reasons:

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Financial Positions

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

As at 30 June 2020, our net current assets were approximately S\$18.3 million as compared to approximately S\$23.0 million as at 30 June 2019. The decrease was mainly due to the payment of a deposit of approximately S\$7.2 million (equivalent to approximately HK\$40.65 million) to the vendor to strengthen our technological infrastructure, as disclosed in the “Use of Net Proceeds from Listing” section below.

### Liquidity and Capital Resources

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

### Capital commitments

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

### Bank borrowing

As at 30 June 2020, the Group’s bank borrowing amounted to approximately S\$2.1 million (30 June 2019: approximately S\$2.2 million), and all of the bank borrowing was denominated in Singapore dollar (30 June 2019: S\$2.2 million was denominated in Singapore dollar). Details of the bank borrowings of the Group are set out in Note 25 to the consolidated financial statements.

### Charges of assets

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

### Material acquisitions and disposals of subsidiaries, associates and joint ventures

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

### Gearing ratio

As at 30 June 2020, the gearing ratio (which is calculated as total interest-bearing liabilities divided by total equity and multiplied by 100%) was 7.8% as compared to 9.1% as at 30 June 2019. The decrease was mainly due to the increase in the Group's equity arising from increase in retained earnings while the Group's total interest-bearing liabilities remained relatively stable.

### Foreign currency exposure

The main operations of the Group are in Singapore and Malaysia and most of the Group's transactions and cash and cash equivalents are denominated in Singapore dollars and Malaysia Ringgits. The Group retains the net proceeds from the Share Offer in Hong Kong dollars that are exposed to fluctuations in foreign exchange rate risks and the Group had a portion of its bank deposits denominated in Malaysia Ringgits as at 30 June 2020. Currently, the Group does not have any foreign currency hedging policy, but the Group's management continuously monitors its foreign exchange exposure.

### Contingent liabilities and guarantees

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

### Employees and Remuneration Policies

As at 30 June 2020, the Group had 73 (30 June 2019: 58) employees and our employee remuneration totalled approximately S\$5.2 million for FY2020 (FY2019: S\$3.7 million) (including salary, bonus, and other employee benefits). The remuneration of our employees is determined based on their performance, experience, competence and market comparable. Their remuneration package includes salaries, bonus related to our performance, allowances and retirement benefits schemes for employees in Singapore and Malaysia. The Company also provides customised training to its staff to enhance their technical and product knowledge.

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

Furthermore, the Company has adopted a share option scheme (the "Scheme") for the purpose of providing incentives or rewards to eligible persons for their contributions to the Group. As no share option has been granted by the Company under the Scheme since the Listing, there was no share option outstanding as at 30 June 2020 and no option was exercised or cancelled or lapsed during the Year.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Use of Net Proceeds from Listing

The Shares were successfully listed on the Main Board of the Stock Exchange on 26 June 2019. The net proceeds from the Listing (the “Net Proceeds”) were approximately HK\$92 million. With reference to the Prospectus, we intend to use the Net Proceeds for (i) approximately 63.3% to strengthen our technological infrastructure; (ii) approximately 28.5% to acquire a website development and hosting company; (iii) approximately 5.7% to establish a sales office in Johor Bahru, Malaysia; and (iv) approximately 2.5% for working capital and general corporate purposes.

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

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

For further details on utilisation of the Net Proceeds, please refer to the section headed “REPORT OF THE DIRECTORS — USE OF NET PROCEEDS FROM LISTING” of this annual report.

## CORPORATE GOVERNANCE REPORT

The Company is committed to fulfilling its responsibilities to the shareholders of the Company (the “Shareholders”) and protecting and enhancing Shareholders’ values through good corporate governance. The directors of the Company (the “Directors”) recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

### CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high corporate governance standards to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company’s corporate governance practices are based on the Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). During FY2020, the Company has adopted and, save for the deviation from code provisions A.1.8 and A.2.1 of the CG Code as disclosed in this report, has complied with all applicable code provisions as set out in the CG Code. The Group will continue to review and enhance its corporate governance practices to ensure its continued compliance with the CG Code.

### SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct governing the securities transactions by the Directors. Following a specific enquiry made by the Company on each of the current Directors (who also served in such capacity during FY2020), all Directors have confirmed that they had complied with the Model Code for FY2020.

### BOARD OF DIRECTORS

#### Responsibilities

The board of Directors (the “Board”) is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group’s values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group’s business and investment plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group’s corporate governance practices and all other functions reserved to the Board under the Company’s articles of association (the “Articles of Association”). The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. The responsibilities of these Board committees include monitoring the Group’s operational and financial performance, and ensuring that appropriate internal control and risk management systems are in place. The Board may from time to time delegate certain functions to management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and other duties assigned to it from time to time.

The Directors have full access to information of the Group and the management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities. The Directors are entitled to seek independent professional advice in appropriate circumstances at the Company’s expense.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Composition

The Company is committed to holding the view that the Board should include a balanced composition of executive Directors, non-executive Director(s) and INEDs so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

As at the date of this annual report, the Board comprises the following six Directors, of which the non-executive Director and the INEDs in aggregate represent two-thirds of the Board members:

### Executive Directors

Ms. Teo Li Lian (*Chairlady and Chief Executive Officer*)  
Mr. Teo Kuo Liang

### Non-executive Director

Ms. Zhang Hong (appointed on 22 September 2020)

### Independent Non-executive Directors

Mr. Chung Kwok Hoe  
Mr. Tan Eng Ann  
Mr. Lee Shy Tsong

The biographical details of each of the Directors are set out in the section headed “Directors and Senior Management” of this annual report.

Ms. L Teo, the Chairlady of the Board, an executive Director and the chief executive officer of the Company, is the elder sister of Mr. V Teo who is an executive Director. Save as disclosed above, there was no financial, business, family or other material relationship among the Directors during the FY2020.

The INEDs have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, the INEDs will continue to make various contributions to the Company.

Throughout the FY2020, the Company had three INEDs, meeting the requirements of the Listing Rules that the number of INEDs must represent at least one-third of the Board members, and that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received an annual confirmation of independence in writing from each of the INEDs pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation and not aware of any adverse event, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules during the FY2020 and up to the date of this annual report.

During the FY2020, the Chairlady had held one meeting with the INEDs without the presence of other Directors.

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

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Directors' Induction and Continuous Professional Development

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under statute and common law, the Listing Rules, other legal and regulatory requirements and the Company's business and governance policies.

The Company will from time to time fund and arrange suitable training to all Directors to develop and refresh their knowledge and skills in relation to their duties and responsibilities, such that their contribution to the Board remains informed and relevant. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the continuous professional development programmes received by each of the current Directors (who also served in such capacity during FY2020) during FY2020 are summarised as follows:

Name of Directors	Type of trainings
Ms. L Teo	A and B
Mr. V Teo	A and B
Mr. Chung	A and B
Mr. Tan	A and B
Mr. Lee	A and B

A: attending training sessions, including but not limited to, seminars, briefings, conferences, forums and workshops

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

### Meetings of the Board and Directors' Attendance Records

The Company adopts a practice to convene Board meetings regularly which is at least four meetings per year and roughly on a quarterly basis with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the Board meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The company secretary of the Company (the "Company Secretary") is responsible for keeping all Board meetings' minutes. Draft and final versions of the Board meetings' minutes will be circulated to the Directors for their comment and records respectively within a reasonable time after each Board meeting and the final version is open for the Directors' inspection.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

During the Year, the attendance records of the Board, Board committees and general meetings of the current Directors (who also served in such capacity during FY2020) are as follows:

Directors	Meetings attended/Meetings required to be attended during the Year				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Executive Directors:					
Ms. Teo Li Lian	4/4	N/A	2/2	1/1*	1/1
Mr. Teo Kuo Liang	4/4	N/A	1/2*	1/1*	1/1
Independent Non-executive Directors:					
Mr. Chung Kwok Hoe	4/4	3/3	2/2	1/1	1/1
Mr. Tan Eng Ann	4/4	3/3	2/2	1/1	1/1
Mr. Lee Shy Tsong	4/4	3/3	2/2	1/1	1/1

N/A not applicable

\* not a member but attended by invitation

### Board Diversity Policy

The Board has adopted a policy of the Board diversity and discussed all measurable objectives set for implementing the same.

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry experience.

### CHAIRLADY AND CHIEF EXECUTIVE

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, all other Directors (including the INEDs) consider that Ms. L 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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### BOARD COMMITTEES

The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

#### Audit Committee

The Audit Committee was established on 3 June 2019 with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. The written terms of reference were revised on 24 February 2020, and the Audit Committee shall meet at least two times each year instead of four times each year. The Audit Committee comprises all the INEDs, namely Mr. Chung, Mr. Tan and Mr. Lee. Mr. Tan is the chairman of the Audit Committee.

The principal roles and functions of the Audit Committee include but are not limited to:

- making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and handling any questions of resignation or dismissal of that auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and discussing with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- developing and implementing a policy on the engagement of an external auditor to supply non-audit services;
- monitoring the integrity of the Company's financial statements, annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgements contained in them;
- discussing the Company's risk management and internal control systems with the Company's management to ensure that management has performed its duty to have effective risk management and internal control systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- reviewing the Group's financial and accounting policies and practices; and
- establishing a whistle blowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) so that they can use, in confidence, to raise concerns about possible improprieties in any matter related to the Company and ensuring that proper arrangements are in place for fair and independent investigation of these matters.

The Audit Committee held three meetings during the Year and has, among others, reviewed the Company's annual results for the year ended 30 June 2019 and the unaudited interim results for the six months ended 31 December 2019 as well as the Company's internal control procedures and risk management. Pursuant to the meeting of the Audit Committee held in September 2020, the Audit Committee has, together with the management of the Company and external independent auditor, reviewed the audited annual results of the Group for the Year and recommended approval by the Board.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Remuneration Committee

The Remuneration Committee was established on 3 June 2019 with written terms of reference in compliance with the CG Code. The written terms of reference of the Remuneration Committee are published on the respective websites of the Stock Exchange and the Company. The Remuneration Committee comprises an executive Director Ms. L Teo, and three INEDs, namely Mr. Lee, Mr. Chung and Mr. Tan. Mr. Lee is the chairman of the Remuneration Committee.

The principal roles and functions of the Remuneration Committee include but are not limited to:

- making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing a remuneration policy;
- making recommendations to the Board on the remuneration packages of all individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board on the remuneration of non-executive Directors;
- reviewing and approving the management's performance-based remuneration proposals by reference to the Board's corporate goals and objectives from time to time; and
- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

During the Year, two Remuneration Committee meetings were held and has, among others, reviewed the remuneration policy of the Company and the remuneration packages of the Directors and senior management of the Group and the performance of the executive Directors and senior management, and made recommendation on the discretionary bonuses of the executive Directors to the Board for approval.

### Nomination Committee

The Nomination Committee was established on 3 June 2019 with written terms of reference in compliance with the CG Code. The written terms of reference of the Nomination Committee are published on the respective websites of the Stock Exchange and the Company. The Nomination Committee comprises three INEDs, namely Mr. Chung, Mr. Tan and Mr. Lee. Mr. Chung is the chairman of the Nomination Committee.

The principal roles and functions of the Nomination Committee include but are not limited to:

- reviewing the structure, size and diversity (including without limitation, gender, age, cultural and educational background, skills, knowledge, professional qualifications and industry experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessing the independence of INEDs;



## CORPORATE GOVERNANCE REPORT (CONTINUED)

- making recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive officer of the Company; and
- developing and reviewing the policy of the Board on diversity and measurable objectives for implementing such policy from time to time and adopted by the Board and reviewing progress on achieving the objectives.

During the Year, one Nomination Committee meeting was held and has, among others, reviewed the composition of the Board, assessed the independence of the INEDs, reviewed the Board diversity policy and recommended to the Board for consideration the reappointment of the retiring Directors at the annual general meeting of the Company (the “AGM”) held on 15 November 2019.

### Nomination Policy

#### *Nomination Procedures*

- (1) The Nomination Committee shall call for a meeting, and invite nomination of candidates from the Board members, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.
- (2) The Nomination Committee shall make recommendations for the Board’s consideration and approval to appoint executive Directors, non-executive Directors or INEDs in office or to fill casual vacancies. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.
- (3) Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.
- (4) In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from Shareholders, a circular will be sent to Shareholders. The circular will set out the lodgement period for Shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to Shareholders.
- (5) A Shareholder can serve a notice to the Company Secretary within the lodgement period of his/her/its intention to propose a resolution to elect a certain person as an executive Director, non-executive Director or INED, without the Board’s recommendation or the Nomination Committee’s nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so proposed will be sent to all Shareholders for information by a supplementary circular.
- (6) A candidate is allowed to withdraw his/her candidature at any time before the general meeting by serving a notice in writing to the Company Secretary.
- (7) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### *Selection Criteria*

- (1) The factors listed below would serve as a reference by the Nomination Committee in assessing the suitability of a proposed candidate.
- Credential and experience
  - Commitment in respect of the available time and interest
  - Diversity in all its aspect, including but not limited to gender, age (18 years or above), ethnicity, qualification, experience, skill, knowledge and length of service

These factors are for reference only, and not meant to be exhaustive and decisive.

- (2) Retiring executive Directors and non-executive Directors are eligible for nomination by the Board to stand for re-election at a general meeting. Retiring INEDs, save for those who have served as INEDs for a period of consecutive 9 years, are eligible for nomination by the Board to stand for re-election at a general meeting. For the avoidance of doubt, (a) the 9-year period for determining the eligibility of an INED for nomination by the Board to stand for election at a general meeting would count from his/her date of first appointment as an INED until the date of the forthcoming annual general meeting when his/her current term of service will expire at the end of that meeting; and (b) an INED who has been servicing on the Board for a period of 9 consecutive years or more may continue to hold office until expiry of his/her current term.
- (3) Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as an executive Director, non-executive Director or INED and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as an executive Director, non-executive Director or INED. Additional information and documents may be requested, if necessary.

### **Corporate Governance Functions**

The Board is responsible for performing the corporate governance functions as set out in code provision D.3.1 of the CG Code, which include:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in this report.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from 26 June 2019 (the “Listing Date”). The non-executive Director has entered into a letter of appointment with the Company for an initial term of one year commencing on 22 September 2020. Each of the INEDs has entered into a letter of appointment with the Company for an initial term of one year commencing on the Listing Date, which will continue thereafter unless terminated by either party giving the other at least one month’s notice in writing.

None of the Directors has a service contract or letter of appointment with the Company or any of its subsidiaries other than the contracts/letters of appointment expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

All the Directors, including INEDs, are subject to retirement by rotation and eligible for re-election in accordance with the Articles of Association. At each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at the AGM at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he/she retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and does not offer himself/herself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been the longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Shareholders after his/her appointment and shall be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors’ remuneration for FY2020 are set out in Note 12 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed “Directors and Senior Management” of this annual report for FY2020 by band is set out below:

Remuneration band (in HK\$)	Number of individuals
Nil to 1,000,000	2
1,000,001 to 1,500,000	1

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### INDEPENDENT AUDITOR'S REMUNERATION

For FY2020, Deloitte & Touche LLP ("Deloitte") was engaged as the Group's independent auditor. The remuneration paid/payable to Deloitte for the services provided in respect of the Year is set out below:

<b>Services</b>	<b>Fee paid/ payable</b> S\$'000
Audit services — Annual audit	185
Non-audit services — Tax services	12
Total	197

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group for FY2020.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In addition, Deloitte has stated in the independent auditor's report its reporting responsibilities on the Company's consolidated financial statements for FY2020.

### RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Company does not have an internal audit department. The Board currently takes the view that there is no immediate need to set up an internal audit function in light of the size, nature and complexity of the Group's business. The need for an internal audit function will be reviewed from time to time.

In FY2020, the Company has engaged an independent internal control consulting firm to perform an overall assessment on the Group's internal control system, including the areas of financial, operation, compliance and risk management with the aims of, among other matters, improving the Group's corporate governance and ensuring compliance with the applicable laws and regulations. Based on its internal control review, the independent internal control consulting firm recommended certain internal control improvement measures to the Group and the Group has adopted them.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

During FY2020, the Board, through the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group covering all material controls, including financial, operational and compliance controls. The Board considers that the Group's risk management and internal control are adequate and effective. The Board expects that a review of the risk management and internal control systems will be performed annually.

### DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong and the Listing Rules and the overriding principle that inside information should be announced promptly when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors are authorised to communicate with parties outside the Group.

### COMPANY SECRETARY

Sir Kwok Siu Man KR ("Sir Seaman") was appointed as the Company Secretary with effect from 29 June 2018. Sir Seaman was nominated by Boardroom Corporate Services (HK) Limited ("Boardroom") to act as the Company Secretary and Boardroom has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered into between the Company and Boardroom. The primary person at the Company with whom Sir Seaman has been contacting in respect of company secretarial matters is Ms. Lai Pei Shi, assistant chief financial officer.

Sir Seaman has taken no less than 15 hours of relevant professional training during FY2020 pursuant to Rule 3.29 of the Listing Rules.

All members of the Board can have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary has been/will be subject to the Board's approval.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### SHAREHOLDERS' RIGHTS

#### Procedures for Putting Forward Proposals at Shareholders' Meetings

Shareholders are welcome to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at Shareholders' meeting. Proposals may be sent to the Board or the Company Secretary by written requisition. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the "EGM") in accordance with the "Procedures for Shareholders to Convene an EGM" set out below.

#### Procedures for Shareholders to Convene an EGM

Any one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholder(s) who wish(es) to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned (the "Requisitionist(s)") at the principal place of business of the Company in Hong Kong for the attention of the Company Secretary.

The Requisition must state clearly the name(s) of the Requisitionist(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda.

The Company will check the Requisition and the identity and shareholding of the Requisitionist(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Requisitionist(s) will be advised of the outcome and accordingly, the Board or the Company Secretary will not call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM.

If within 21 days of the deposit of the Requisition the Board or the Company Secretary fails to proceed to convene an EGM, the Requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board or the Company Secretary to convene the EGM shall be reimbursed to the Requisitionist(s) by the Company.

#### Procedures for Shareholders to Send Enquiries to the Board

Shareholders may direct their enquiries about their shareholdings or their notification of change of correspondence address or their dividend/distribution instructions to 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.

Shareholders may send their enquiries and concerns to the Board by post to the principal place of business of the Company in Hong Kong at Room 5705, 57th Floor, The Center, 99 Queen's Road Central, Hong Kong, for the attention of the Company Secretary.

## **CORPORATE GOVERNANCE REPORT** (CONTINUED)

Upon receipt of the enquiries, the Company Secretary will forward the communications relating to:

1. the matters within the Board's purview to the executive Directors;
2. the matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and
3. ordinary business matter, such as suggestions, enquiries and client complaints to the appropriate management of the Company.

### **DIVIDEND POLICY**

The Company has adopted a dividend policy on 11 November 2019. Dividends may be declared from time to time by the Company to the Shareholders. The Company does not have any pre-determined dividend pay-out ratio. The declaration and payment of dividends shall be determined at the sole discretion of the Board after taking into account, among others, the operations, earnings, cash requirements, availability, capital expenditure, future development requirements, business conditions and strategies, interests of Shareholders, and any other factors that the Board deems appropriate. The payment of dividends by the Company is also subject to any restrictions under the relevant applicable laws, rule and regulations and the Articles of Association.

### **COMMUNICATION WITH THE SHAREHOLDERS**

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the Shareholders will have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company.

Information will be communicated to the Shareholders through the Company's financial reports, circulars, AGMs and EGMs that may be convened as well as all the published disclosures submitted to the Stock Exchange.

### **CONSTITUTIONAL DOCUMENTS**

There was no change in the constitutional documents of the Company during FY2020.

The memorandum of association and the Articles of Association is available on the respective websites of the Stock Exchange and the Company.

# REPORT OF THE DIRECTORS

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 30 June 2020.

## PRINCIPAL ACTIVITIES

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 7 December 2017. The Shares were initially listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 26 June 2019.

The Company is an investment holding company and its subsidiaries (including its major operating subsidiary, Activa Media (S)) are principally engaged in the provision of online marketing services. The principal activities of the Company’s subsidiaries are set out in Note 34 to the consolidated financial statements.

## BUSINESS REVIEW

A review of the Group’s business during FY2020, a performance analysis using financial key performance indicators and an indication of likely future development of the Group’s business could be found in the sections headed “Chairlady’s Statement” and “Management Discussion and Analysis” in this annual report. The review and discussion form part of this report.

### *Principal Risks and Uncertainties faced by the Group*

The principal risks and uncertainties faced by the Group are contained in the section headed “Risk Factors” of the Prospectus as well as the sections headed “Chairlady’s Statement” and “Management Discussion and Analysis” in this annual report.

### *Important Events after the Reporting Period*

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

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



## **REPORT OF THE DIRECTORS** (CONTINUED)

### *Environmental Policies and Performance*

The Group is highly aware of the importance of environment protection and has not noted any material incompliance with all relevant laws and regulations in relation to its business, including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended 30 June 2020 to be published in due course in the manner required by the Listing Rules.

### *Compliance with Laws and Regulations*

For the year ended 30 June 2020, the Company was in compliance with the relevant laws and regulations that have a significant impact on the Company.

### *Relationships with Employees, Customers and Suppliers*

The Directors are of the view that employees, customers and suppliers are the keys to the sustainable development of the Group. The Group is committed to establishing a close relationship with its customers and suppliers.

We serve local and international brands across various business sectors. Our customers are mainly small and medium-sized enterprises. We strive to maintain good business relationships with our customers. A substantial number of them have more than three years of business relationship with us.

Our suppliers mainly include search engine platforms, social media platforms, magazine publishers, web hosting service providers and call tracking solution providers. The Group has maintained stable and long-established business relationships with them. Our largest supplier has also been inviting our executive Directors to participate in their exclusive partner conferences where we get insights on the latest industry trends, online marketing trends, technological development and market statistics.

We believe in staff development as it is our policy in building our own team of talents with different specialities to manage campaigns in-house. We also believe that staff development will help to promote our overall efficiency and employee loyalty and retention. Employees are required to attend trainings to keep them abreast of the latest industry trend and product information. We also organise annual offsite team-building events and weekly social gatherings for our staff to cultivate a sense of belonging and to foster stronger relationship among various team members.

## **RESULTS AND DIVIDEND**

The consolidated annual results of the Group for the year ended 30 June 2020 are set out on pages 49 to 110 of this annual report.

The Board has resolved not to recommend the payment of any final dividend for the year ended 30 June 2020.

## **REPORT OF THE DIRECTORS** (CONTINUED)

### **CLOSURE OF THE REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 17 November 2020 to Friday, 20 November 2020, both days inclusive and during which period no transfer of Shares will be effected. In order to determine the identity of Shareholders who are entitled to attend and vote at the 2020 AGM, non-registered Shareholders must lodge all share transfer documents accompanied by the relevant share certificates for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 pm on Monday, 16 November 2020.

### **PLANT AND EQUIPMENT**

Details of the movements in plant and equipment of the Group during the year ended 30 June 2020 are set out in Note 16 to the consolidated financial statements.

### **SHARE CAPITAL**

Details of the movements in share capital of the Company during the year ended 30 June 2020, together with the reasons therefor, are set out in Note 26 to the consolidated financial statements.

### **RESERVES AND DISTRIBUTABLE RESERVES**

Details of the movements in the reserves of the Group and of the Company during the year ended 30 June 2020 are set out in the Consolidated Statement of Changes in Equity on page 52 of this annual report and Note 36 to the consolidated financial statements.

As at 30 June 2020, no reserve is available for distribution to the owners of the Company, as calculated in accordance with the provisions of the Companies Law of the Cayman Islands.

### **FIVE-YEAR FINANCIAL SUMMARY**

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 112 of this annual report.

### **DONATIONS**

The Group has made the donations of approximately S\$38,000 to the charitable organisations during FY2020.

### **BANK BORROWINGS**

Details of the movements in bank borrowings of the Group during the year ended 30 June 2020 are set out in Note 25 to the consolidated financial statements.

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

During the FY2020, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell such securities.

## REPORT OF THE DIRECTORS (CONTINUED)

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

### USE OF NET PROCEEDS FROM LISTING

The Shares were successfully listed on the Main Board of the Stock Exchange on 26 June 2019 at the offer price of HK\$0.65 each. 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 30 June 2020:

	Intended use of Net Proceeds from the share offer		Amount utilised during the Year and as at			Expected timeline to use the remaining Net Proceeds
	HK\$ million	Proportion %	Amount utilised as at 30 June 2019 HK\$ million	30 June 2020 HK\$ million	Remaining balance as at 30 June 2020 HK\$ million	
Strengthening the technological infrastructure	58.20	63.3	—	40.65	17.55	Q4 2019 Note 1
Acquisition of a website development and hosting company	26.20	28.5	—	—	26.20	Note 2
Establishment of a sales office in Johor Bahru (“JB”), Malaysia	5.30	5.7	—	—	5.30	Note 3
Working capital	2.30	2.5	—	—	2.30	—
<b>Total</b>	<b>92.00</b>	<b>100.0</b>	<b>—</b>	<b>40.65</b>	<b>51.35</b>	

Note 1: The deployment of the Net Proceeds for strengthening technological infrastructure is divided into phases and the initial deployment was made in Q4 2019, as detailed in the Prospectus. As to the remaining balance of the Net Proceeds designated for this purpose, please refer to the description set out below.

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

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

## REPORT OF THE DIRECTORS (CONTINUED)

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

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

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

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

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

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

### DIRECTORS

The Directors during the year ended 30 June 2020 and up to the date of this report are:

#### Executive Directors

Ms. Teo Li Lian (*Chairlady and Chief Executive Officer*)

Mr. Teo Kuo Liang

#### Non-executive Director

Ms. Zhang Hong

(appointed on 22 September 2020)

#### Independent Non-executive Directors

Mr. Chung Kwok Hoe

Mr. Tan Eng Ann

Mr. Lee Shy Tsong

Pursuant to the Article of Association, Ms. Zhang Hong, Mr. Tan Eng Ann and Mr. Lee Shy Tsong shall retire from office at the 2020 AGM. Mr. Tan Eng Ann will not offer himself for re-election at the 2020 AGM while both the other retiring Directors, being eligible, shall offer themselves for re-election.

## **REPORT OF THE DIRECTORS (CONTINUED)**

### **BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT**

Biographical details of the Directors and senior management of the Group as at the date of this annual report are set out on pages 5 to 8 in the section headed “Directors and Senior Management” of this annual report.

### **DIRECTORS’ SERVICE CONTRACTS**

Each of the executive Directors has entered into a service contract with the Company, under which they agreed to act as executive Directors for an initial term of three years commencing on the Listing Date, which may be terminated by not less than three months’ notice in writing served by either the executive Director or the Company.

The non-executive Director has entered into an appointment letter with the Company for an initial term of one year commencing on 22 September 2020, which may be terminated by not less than two weeks’ notice in writing served by either the non-executive Director or the Company.

Each of the independent non-executive Directors has signed an appointment letter with the Company for an initial term of one year commencing on the Listing Date, which may be terminated by not less than one month’s notice in writing served by either the independent non-executive Director or the Company. Under the respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director’s fee.

The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association. None of the Directors has entered into a service contract or appointment letter with any members of the Group that cannot be terminated by the Group within one year without payment of compensation, other than statutory compensation.

### **CONTRACT WITH CONTROLLING SHAREHOLDERS**

Other than disclosed in the section headed “Related Party Transactions” in Note 31 to the consolidated financial statements contained in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the year ended 30 June 2020 or subsisted as at 30 June 2020 and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the year ended 30 June 2020 or subsisted as at 30 June 2020.

### **DIRECTOR’S INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE**

Other than disclosed in the section headed “Related Party Transactions” in Note 31 to the consolidated financial statements contained in this annual report, no transaction, arrangement and contract of significance to the business of the Group which the Company or its holding company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted as at 30 June 2020 or at any time during the year ended 30 June 2020.

## REPORT OF THE DIRECTORS (CONTINUED)

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2020, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

#### Long positions in the Shares

Name of Directors	Number of Shares held, capacity and nature of interests		Total	Percentage of the issued share capital
	Directly beneficially owned	Through controlled corporation		
Ms. Teo Li Lian (Note)	—	600,000,000	600,000,000	75%
Mr. Teo Kuo Liang (Note)	—	600,000,000	600,000,000	75%

Note: Aactiva Media Investment is beneficially owned 50% by Ms. Teo Li Lian and Mr. Teo Kuo Liang respectively. Under the SFO, each of Ms. Teo Li Lian and Mr. Teo Kuo Liang is deemed to be interested in all the Shares held by Aactiva Media Investment. Details of the interests in the Company held by Aactiva Media Investment are set out in the section headed "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company" below. As at 30 September 2020, Aactiva Media Investment beneficially held 408,000,000 Shares, representing 51% of the total number of the issued Shares.

#### Long positions in ordinary shares of an associated corporation

Name of associated corporation	Name of Directors	Capacity/nature of interests	Number of shares held	Percentage of issued share capital
Aactiva Media Investment (Note)	Ms. Teo Li Lian	Beneficial owner	4	50%
Aactiva Media Investment (Note)	Mr. Teo Kuo Liang	Beneficial owner	4	50%

Note: Aactiva Media Investment is beneficially owned 50% by Ms. Teo Li Lian and Mr. Teo Kuo Liang respectively.

Save as disclosed above, as at 30 June 2020, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded in the register required to be kept pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## REPORT OF THE DIRECTORS (CONTINUED)

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2020, the following corporation (other than a Director or the chief executive of the Company) had interests or short positions in the Shares as recorded in the register required to be kept under section 336 of the SFO as follows:

#### Long positions in the Shares

Name of Shareholder	Capacity/nature of interests	Number of Shares held	Percentage of issued share capital
Activa Media Investment	Beneficial interest	600,000,000 (Note)	75%

Note: Activa Media Investment is beneficially owned 50% by Ms. Teo Li Lian and Mr. Teo Kuo Liang respectively. Under the SFO, each of Ms. Teo Li Lian and Mr. Teo Kuo Liang is deemed to be interested in the 600,000,000 Shares held by Activa Media Investment. As at 30 September 2020, Activa Media Investment beneficially held 408,000,000 Shares, representing 51% of the total number of the issued Shares.

Save as disclosed above, as at 30 June 2020, no other corporation which/person (other than a Director or the chief executive of the Company) had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

#### EQUITY-LINKED AGREEMENTS

No equity-linked agreements that (i) will or may result in the Company issuing Shares or (ii) require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Group during the year ended 30 June 2020 or existed as at 30 June 2020.

#### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year under review or as at 30 June 2020 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

#### SHARE OPTION SCHEME

Pursuant to the written resolution of the sole Shareholder passed on 3 June 2019, the Company adopted a share option scheme conditional upon the Listing (the "Share Option Scheme"). The Share Option Scheme became effective on the Listing Date. As no share option has been granted by the Company under the Share Option Scheme since the Listing Date, there was no share option outstanding as at 30 June 2020 and no option was exercised or cancelled or lapsed during the year ended 30 June 2020.

## REPORT OF THE DIRECTORS (CONTINUED)

The principal terms of the Share Option Scheme are set out as follows:

### 1. Purpose

The purpose of the Share Option Scheme is to enable the Board to grant options to eligible persons (as stated below) as incentives or rewards for their contribution or potential contribution to the Group and to recruit and retain high calibre eligible persons and attract human resources that are valuable to the Group.

### 2. Eligible persons

The Directors may, at their absolute discretion and subject to such terms, conditions, restrictions or limitations as they may think fit, offer to grant option to any employee or proposed employee (whether full-time or part-time, including any director) of any member of the Group or invested entity; and any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder or other participants who contributes to the development and growth of the Group or any invested entity.

### 3. Maximum number of Shares available for issue

The total number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 80,000,000 Shares, being 10% of the total number of Shares in issue as at the date of this annual report.

### 4. Maximum entitlement of each eligible person

Unless approved by the Shareholders in general meeting and subject to the following paragraph, no option shall be granted to any eligible person if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue from time to time.

Where an option is to be granted to a substantial Shareholder or an independent non-executive Director (or any of their respective associates), and such grant will result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other share option schemes of the Company in the 12-month period up to and including the date of such grant: (1) representing in aggregate over 0.1% of the total number of Shares in issue at the relevant time of grant; and (2) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of each grant, in excess of HK\$5 million, such grant shall not be valid unless approved by the independent Shareholders in general meeting.



## REPORT OF THE DIRECTORS (CONTINUED)

### 5. Period within which the securities must be exercised under an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

### 6. Minimum period for which an option must be held before it can be exercised

There is no minimum period in which an option must be held before the exercise of any option save as otherwise imposed by the Board in the relevant offer of options.

### 7. Period for and consideration payable on acceptance of an option

An offer of grant of an option may be accepted by an eligible person within the date as specified in the offer letter issued by the Company, being a date not later than 21 days inclusive of the date upon which it is made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.

### 8. Basis of determining the exercise price

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as determined by the Board, and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer to grant an option (the "Offer Date"), which must be a trading day, on which the Board passes a resolution approving the making of an offer of grant of an option to an eligible person; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of a Share on the Offer Date.

### 9. Remaining life

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme, after which period no further option shall be granted.

## COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board by reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group for the year ended 30 June 2020 are set out in Notes 12 and 13 to the consolidated financial statements.

## REPORT OF THE DIRECTORS (CONTINUED)

For the year ended 30 June 2020, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended 30 June 2020.

Except as disclosed above, no other payments have been made or are payable, for the year ended 30 June 2020, by the Group to or on behalf of any of the Directors.

The Company has adopted the Share Option Scheme for the purpose of providing incentives or rewards to eligible persons, including directors and employees of the Group.

### DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year under review, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business (apart from the business of the Group) that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

### CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

### MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at 30 June 2020 or at any time during the year ended 30 June 2020.

### MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceedings during the year ended 30 June 2020.

### MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, the Group's largest customer accounted for 4.7% (FY2019: 8.2%) of the Group's total revenue and the Group's five largest customers accounted for 13.7% (FY2019: 19.3%) of the Group's total revenue. In the year under review, the Group's largest supplier accounted for 87% (FY2019: 90.2%) of the Group's total purchase and the Group's five largest suppliers accounted for 92% (FY2019: 93.9%) of the Group's total purchase.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the issued Shares) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

## **REPORT OF THE DIRECTORS** (CONTINUED)

### **RELATED PARTY TRANSACTIONS**

Details of the related party transactions of the Group for the year ended 30 June 2020 are set out in Note 31 to the consolidated financial statements contained herein.

None of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

### **SUFFICIENCY OF PUBLIC FLOAT**

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float (i.e. at least 25% of the issued Shares in public hands) as required under the Listing Rules.

### **CORPORATE GOVERNANCE**

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the CG Code as its own code to govern its corporate governance practices.

In the opinion of the Directors, save for the deviations as disclosed in the Corporate Governance Report of this annual report, the Company has complied with the relevant code provisions contained in the CG Code during the FY2020.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance.

Information on the important corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 18 to 30 of this annual report.

### **TAX RELIEF**

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

### **PERMITTED INDEMNITY**

Pursuant to the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. The relevant provisions in the Articles of Association were in force during the year ended 30 June 2020 and as at the date of this report.

## REPORT OF THE DIRECTORS (CONTINUED)

### UPDATE ON THE DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in Directors' information since the date of the 2019/2020 Interim Report are set out below:

Ms. Zhang Hong has been appointed as the non-executive Director with effect from 22 September 2020.

### INDEPENDENT AUDITORS

The consolidated financial statements for the year ended 30 June 2020 have been audited by Deloitte & Touche LLP, Certified Public Accountants, which are proposed for reappointment at the forthcoming 2020 AGM.

On behalf of the Board

**Ms. Teo Li Lian**

*Chairlady, Executive Director and Chief Executive Officer*

Singapore, 30 September 2020

# INDEPENDENT AUDITOR'S REPORT

## To the Shareholders of AM Group Holdings Limited

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

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### OPINION

We have audited the consolidated financial statements of AM Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 49 to 110, which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“ISAs”) issued by International Auditing and Assurance Standards Board (“IAASB”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ *Code of Ethics for Professional Accountants* (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### KEY AUDIT MATTER – *continued*

Key audit matter	How the matter was addressed in the audit
<p><b><i>Calculation of loss allowance for trade receivables</i></b></p> <p>The Group has trade receivables from third parties amounting to S\$5,790,000 as at 30 June 2020. The credit worthiness of customers may be impacted by specific and/or macro-economic conditions, resulting in overdue trade receivables. The Group applied the simplified approach and calculated expected credit losses based on lifetime expected losses on all trade receivables.</p> <p>This involves significant judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions, including the consideration on the outbreak of COVID-19. Given the significance of the trade receivables and significant judgement and estimations involved in the impairment assessment, we have identified calculation of loss allowance for trade receivables as a key audit matter.</p>	<p>We have performed the following audit procedures, amongst others, in response to the key audit matter:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the key controls and processes that management has in place to assess the expected recovery of the trade receivables;</li> <li>• Assessed the Group's policies and procedures for measuring expected credit losses;</li> <li>• Reviewed management's assessment of expected credit loss impairment model by applying historical collection data and forward-looking information (including the related impact of the COVID-19 situation);</li> <li>• Reviewed management's assessment of impairment of trade receivables through analyses of ageing of receivables, assessment of material overdue individual trade receivables;</li> <li>• Inquired management if there are any known disputed receivables; and</li> <li>• Reviewed the collectability of selected trade receivables by way of obtaining evidence of receipts from the customers subsequent to the end of the reporting period. For long overdue debts without subsequent collection, we reviewed their past payment trends and discussed with management if there are any disputed receivables with those customers.</li> </ul> <p>We have also assessed the adequacy of the relevant notes disclosure. The related disclosures on the expected credit losses for trade receivables are included in Note 4, Note 20 and Note 33 to the consolidated financial statements. The key sources of estimation uncertainty in relation to expected credit losses for trade receivables are disclosed in Note 5 to the consolidated financial statements.</p>

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **OTHER INFORMATION**

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



## **INDEPENDENT AUDITOR'S REPORT** (CONTINUED)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ng Meng Chuan.

**Deloitte & Touche LLP**

*Public Accountants and*

*Chartered Accountants*

Singapore

30 September 2020

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

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Notes	2020 S\$'000	2019 S\$'000
<b>Revenue</b>	6	<b>24,742</b>	28,885
Cost of services		<b>(16,050)</b>	(18,007)
<b>Gross profit</b>		<b>8,692</b>	10,878
Other income	7	<b>647</b>	215
Other gains or losses	8	<b>623</b>	(25)
Selling expenses		<b>(1,091)</b>	(1,077)
General and administrative expenses		<b>(5,527)</b>	(3,068)
Listing expenses		—	(2,982)
Finance costs	9	<b>(66)</b>	(49)
Profit before taxation		<b>3,278</b>	3,892
Income tax expense	10	<b>(797)</b>	(1,197)
<b>Profit for the year</b>	11	<b>2,481</b>	2,695
<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		*	(9)
<b>Total comprehensive income for the year</b>		<b>2,481</b>	<b>2,686</b>
<b>Earnings per share (in Singapore cents)</b>			
Basic and diluted	15	<b>0.3</b>	0.4

\* Amount less than S\$1,000.

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2020

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

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (CONTINUED)

AS AT 30 JUNE 2020

	Notes	2020 S\$'000	2019 S\$'000
<b>Capital and reserves</b>			
Share capital	26	1,389	1,389
Share premium	27	19,366	19,366
Reserves		6,330	3,849
<b>Equity attributable to owners of the Company</b>		<b>27,085</b>	<b>24,604</b>

The consolidated financial statements on pages 49 to 110 were approved and authorised for issue by the Board of Directors on 30 September 2020 and are signed on its behalf by:

**Teo Li Lian**  
*Chairlady and Executive Director*

**Teo Kuo Liang**  
*Executive Director*

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	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>	—	—	220	101	842	1,163
Profit for the year	—	—	—	—	2,695	2,695
<i>Other comprehensive income for the year:</i>						
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 26)	1,042	(1,042)	—	—	—	—
Effect of issuance of shares under share offer (Note 26)	347	22,220	—	—	—	22,567
Effect of share issuance expenses under share offer	—	(1,812)	—	—	—	(1,812)
Total	1,389	19,366	—	—	—	20,755
<b>Balance as at 30 June 2019</b>	<b>1,389</b>	<b>19,366</b>	<b>220</b>	<b>92</b>	<b>3,537</b>	<b>24,604</b>
Profit for the year	—	—	—	—	2,481	2,481
<i>Other comprehensive income for the year:</i>						
Exchange differences on translation of a foreign operation	—	—	—	*	—	*
Total comprehensive income	—	—	—	*	2,481	2,481
<b>Balance as at 30 June 2020</b>	<b>1,389</b>	<b>19,366</b>	<b>220</b>	<b>92</b>	<b>6,018</b>	<b>27,085</b>

\* Amount less than S\$1,000.

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	2020 S\$'000	2019 S\$'000
<b>Operating activities</b>		
Profit before taxation	3,278	3,892
Adjustments for:		
Depreciation of plant and equipment	79	57
Depreciation of investment property	68	68
Depreciation of right-of-use assets	259	—
Finance costs	66	49
Bad debts directly written off	108	62
Impairment loss, net of reversal on trade receivables	680	148
Impairment loss on investment property	245	—
Plant and equipment written off	4	—
Termination of lease of right-of-use assets	10	—
Reversal of lease liabilities	(11)	—
Interest income from fixed deposits	(146)	—
Exchange difference	(29)	(6)
Operating cash flows before movement in working capital	4,611	4,270
Movements in working capital:		
Increase in trade and other receivables	(279)	(981)
(Decrease)/Increase in trade and other payables	(3,335)	1,491
Decrease in contract liabilities	(244)	(338)
Cash generated from operations	753	4,442
Interest paid on lease liabilities	(8)	—
Income tax paid	(1,130)	(1,681)
<b>Net cash (used in)/from operating activities</b>	<b>(385)</b>	<b>2,761</b>
<b>Investing activities</b>		
Purchase of plant and equipment	(73)	(16)
Deposit paid for development of technological infrastructure	(7,199)	(493)
Proceed from disposal of plant and equipment	2	—
Interest received from fixed deposits	146	—
<b>Net cash used in investing activities</b>	<b>(7,124)</b>	<b>(509)</b>

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	2020 S\$'000	2019 S\$'000
<b>Financing activities</b>		
Repayment of bank borrowings	(120)	(120)
Interest paid	(58)	(49)
Repayment of lease liabilities	(256)	—
Proceeds from issuance of shares under share offer (Note 1)	17,251	5,316
Transaction cost directly attributable to issuance of shares (Note 2)	—	(1,332)
<b>Net cash from financing activities</b>	<b>16,817</b>	<b>3,815</b>
Net increase in cash and cash equivalents	9,308	6,067
Cash and cash equivalents at beginning of the year	9,788	3,724
Effect of foreign exchange rate changes	29	(3)
<b>Cash and cash equivalents at end of the year</b>	<b>19,125</b>	<b>9,788</b>

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

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

See accompanying notes to consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 1. GENERAL

The Company was incorporated and registered as an exempted company in Cayman Islands with limited liability on 7 December 2017. The registered office of the Company is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. 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 marketing services as set out in Note 34 to the consolidated financial statements.

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

The consolidated financial statements are approved by the Board of Directors of the Company on 30 September 2020.

## 2. GROUP REORGANISATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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 Group, respectively.

In preparing for the listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited, 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 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;



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**2. GROUP REORGANISATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS – continued**

- (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 in 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 initial share held by Activa Media Investment.

Upon 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 consolidated financial statements 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 report, the Group has applied the following new and amendments to IFRSs that have been issued for the first time in current year:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

#### New and amendments to IFRSs that are mandatorily effective for the current year – *continued*

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

#### **IFRS 16 *Leases***

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

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

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

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

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

#### **(a) *Impact of the new definition of a lease***

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

#### IFRS 16 *Leases* – *continued*

##### (b) *Impact on lessee accounting*

###### *Former operating leases*

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

Applying IFRS 16, for all leases, the Group:

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

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

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

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

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

##### (c) *Impact on lessor accounting*

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) – continued****IFRS 16 Leases – continued****(d) Financial impact of initial application of IFRS 16**

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) – continued****New and amendments to IFRSs in issue but not yet effective**

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

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

1. Effective for annual periods beginning on or after 1 January 2023.
2. Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3. Effective for annual periods beginning on or after a date to be determined.
4. Effective for annual periods beginning on or after 1 January 2020.
5. Effective for annual periods beginning on or after 1 January 2022.
6. Effective for annual periods beginning on or after 1 June 2020.
7. Effective for annual periods beginning on or after 1 January 2021.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

The principal accounting policies are set out below.

#### **Basis of consolidation**

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

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

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

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

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

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

#### ***Merger accounting for business combination involving entities under common control***

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Changes in the Group's ownership interests in existing subsidiaries

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

#### Revenue recognition

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

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

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

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Revenue recognition – *continued*

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

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

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

Revenue from search engine marketing services and social media marketing services to customers are recognised as a performance obligation satisfied over time. The Group generally requires customers to provide upfront payments of certain percentage of the contract sum, when the Group receives a deposit before service commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit. The period for search engine marketing services and social media marketing services is generally within 1 year. Revenue recognised from these services are based on a fixed fee.

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

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

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

##### *Input method*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Leases

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

#### *Policies applicable from 1 July 2019*

##### *The Group as lessee*

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

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### *Leases – continued*

#### *Policies applicable from 1 July 2019 – continued*

#### *The Group as lessee – continued*

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

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

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

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

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

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

#### *The Group as lessor*

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Leases – *continued*

##### *Policies applicable prior to 1 July 2019*

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

##### *The Group as lessee*

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

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

##### *The Group as lessor*

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

#### Foreign currencies

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### **Borrowing costs**

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

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

#### **Government grants**

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

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

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

#### **Retirement benefit costs**

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

#### **Short-term employee benefits**

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Taxation

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

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

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

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

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

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

Current and deferred tax are recognised in profit or loss.

#### Plant and equipment

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Investment property

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

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

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

#### Impairment of tangible assets

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

### Provisions

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

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

### Financial instruments

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

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

### Financial assets

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

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

### *Classification of financial assets*

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Financial assets – *continued*

#### *Classification of financial assets – continued*

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

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

All other financial assets are measured subsequently at FVTPL.

#### *Financial assets at amortised cost and effective interest method*

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

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

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

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

Interest income is recognised in profit or loss using the effective interest method and is included in the “other income” line item.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Financial assets – *continued*

#### *Impairment of financial assets*

##### *Impairment of financial assets under ECL model*

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

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

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

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

#### *Significant increase in credit risk*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Financial assets – *continued*

#### *Significant increase in credit risk – continued*

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Financial assets – *continued*

##### *Definition of default*

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

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

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

##### *Credit-impaired financial assets*

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

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

##### *Write-off policy*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Financial assets – *continued*

##### *Measurement and recognition of ECL*

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

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

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

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

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

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

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

##### *Derecognition of financial assets*

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Financial assets – *continued*

##### *Classification of financial liabilities and equity instruments*

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

##### *Equity instruments*

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

##### *Financial liabilities*

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

##### *Financial liabilities subsequently measured at amortised cost*

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

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

##### *Derecognition of financial liabilities*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

#### Critical judgements in applying accounting policies

Management is of the opinion that there was no critical judgement involved that have a significant effect on the amounts recognised in the consolidated financial information.

#### Key sources of estimation uncertainty

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

#### *Estimated impairment of trade receivables*

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**6. REVENUE AND SEGMENT INFORMATION**

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

	2020 S\$'000	2019 S\$'000
Search engine marketing services	19,175	23,404
Creative and technology services	4,482	4,535
Social media marketing services	1,085	946
	<u>24,742</u>	<u>28,885</u>
	2020 S\$'000	2019 S\$'000
<b>Timing of revenue recognition:</b>		
Over time:		
– Search engine marketing services	19,175	23,404
– Social media marketing services	1,085	946
	<u>20,260</u>	24,350
At point in time:		
– Creative and technology services	4,482	4,535
	<u>24,742</u>	<u>28,885</u>

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

The Group provides search engine marketing services and social media marketing services to customers. Such services are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue is recognised for these search engine marketing services and social media marketing services based on the stage of completion of the contract using input method. The Group generally requires customers to provide upfront payments of certain percentage of the contract sum, when the Group receives a deposit before service commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit. The period for the search engine marketing services and social media marketing services is generally within 1 year. Revenues recognised from these services are based on a fixed fee. The Group generally bills the remaining balances on a periodic basis and provides credit terms of 7 days to its customers (2019: no credit terms).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 6. REVENUE AND SEGMENT INFORMATION – *continued*

The Group provides creative and technology services to customers. Such services are recognised at a point in time when the websites or services are available for the customers because the Group has determined that control of the performance obligation has transferred to the customers (i.e. service performed) as the Group has the right to payment for its service and customers have accepted its services. Revenue recognised from creative and technology services are based on a fixed fee. The Group generally bills its customers when services are performed and provides credit terms of 7 days to its customers (2019: no credit terms).

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

#### Segment information

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

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

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

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**6. REVENUE AND SEGMENT INFORMATION – continued**Segment information – *continued***Year ended 30 June 2020**

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

**Year ended 30 June 2019**

	Search engine marketing services S\$'000	Creative and technology services S\$'000	Social media marketing services S\$'000	Total S\$'000
<b>REVENUE</b>				
External sales and segment revenue	<u>23,404</u>	<u>4,535</u>	<u>946</u>	<u>28,885</u>
<b>RESULTS</b>				
Segment profit	<u>6,700</u>	<u>3,859</u>	<u>319</u>	10,878
Unallocated other income				215
Other gains or 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>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**6. REVENUE AND SEGMENT INFORMATION – continued****Segment information – continued**

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment profit represents the profit earned by each segment without allocation of general and administrative expenses, selling expenses, finance costs, listing expenses, other income and other gains or losses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

**Segment assets and liabilities**

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

**Geographical information****Revenue by geographical location**

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

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

**Non-current assets by geographical location**

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

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

**Information about major customers**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**7. OTHER INCOME**

	2020 S\$'000	2019 S\$'000
Government grants (Note)	301	61
Rental income	109	118
Interest income from fixed deposits	146	—
Others	91	36
	<u>647</u>	<u>215</u>

Note: Included in government grants during the year ended 30 June 2020 is an amount of S\$252,000 relating to grant provided by Singapore Government for wages paid to local employees under the Job Support Scheme announced in the Unity Budget and Resilience Budget on 18 February 2020 and 26 March 2020 respectively. The grant income is recognised on a systematic basis over the estimated period of economic uncertainty in which the Group recognises the related salary costs. As at 30 June 2020, grant receivable of S\$179,000 is recorded under “Deferred government grant income” (Note 22) and is expected to be recognised as grant income in the next financial year.

**8. OTHER GAINS OR LOSSES**

	2020 S\$'000	2019 S\$'000
Net exchange gains (losses)	<u>623</u>	<u>(25)</u>

**9. FINANCE COSTS**

	2020 S\$'000	2019 S\$'000
Interest on bank borrowings	58	49
Interest expense on lease liabilities	8	—
	<u>66</u>	<u>49</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**10. INCOME TAX EXPENSE**

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**11. PROFIT FOR THE YEAR**

Profit for the year has been arrived at after charging (crediting):

	2020 S\$'000	2019 S\$'000
Directors' emoluments (Note 12):		
Fees	90	9
Salaries, allowances and other benefits	1,378	968
Retirement benefit scheme contributions	44	64
	<u>1,512</u>	<u>1,041</u>
Other staff costs:		
Salaries, allowances and other benefits	3,258	2,343
Retirement benefits scheme contributions	399	309
	<u>3,657</u>	<u>2,652</u>
Total staff costs	<u>5,169</u>	<u>3,693</u>
Auditors' remuneration	185	184
Minimum lease payments	—	124
Depreciation expenses:		
Investment property	68	68
Plant and equipment	79	57
Right-of-use assets	259	—
Bad debt directly written off	108	62
Impairment loss, net of reversal on trade receivables	680	148
Impairment loss on investment property	245	—
Gross rental income from an investment property	(109)	(118)
Less: Direct operating expenses incurred for investment property that generated rental income during the year	<u>68</u>	<u>68</u>
	<u>(41)</u>	<u>(50)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS**

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

Details of the emoluments paid or payable by the entities comprising the Group to the Directors and Chief Executive (including emoluments for the services as employees or directors of the entities comprising the Group prior to becoming directors of the Company) during the year for their services rendered to the entities comprising the Group are as follows:

**Year ended 30 June 2020**

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

**Year ended 30 June 2019**

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – continued**

The Independent Non-Executive Directors' emoluments shown above were for their services as directors of the Company.

**13. FIVE HIGHEST PAID EMPLOYEES**

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

	2020 S\$'000	2019 S\$'000
Salaries, allowances and other benefits	598	430
Retirement benefits scheme contributions	55	48
	<u>653</u>	<u>478</u>

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

	2020	2019
Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	1	1
	<u>3</u>	<u>3</u>

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

**14. DIVIDENDS**

No dividend has been paid or declared by the Company or Group entities during year ended 30 June 2020 and 2019.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**15. EARNINGS PER SHARE**

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

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

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

**16. PLANT AND EQUIPMENT**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**16. PLANT AND EQUIPMENT – continued**

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

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

**17. RIGHT-OF-USE ASSETS**

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**18. INVESTMENT PROPERTY**

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**19. DEFERRED TAX ASSETS**

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

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

**20. TRADE AND OTHER RECEIVABLES**

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

The Group generally requires advance payments and deposits from customers and the average credit period on the service rendered is 7 days (2019: NIL days).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**20. TRADE AND OTHER RECEIVABLES – continued**

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.

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**20. TRADE AND OTHER RECEIVABLES – continued**

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

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

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

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**21. BANK BALANCES AND CASH**

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

Time deposits are placed with financial institutions at effective interest rates ranging from 1.68% to 3.90% per annum and for an average tenure of 6 to 12 months. These deposits with licensed banks can be withdrawn before due date if required without having to incur significant costs, and therefore, the carrying amounts approximate their fair values.

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

**22. TRADE AND OTHER PAYABLES**

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**23. CONTRACT LIABILITIES**

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

The movements in contract liabilities are as follows:

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

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.

**24. LEASE LIABILITIES**

Lease liabilities (disclosure required by IFRS 16)

	2020 S\$'000
Maturity analysis:	
– Within one year	247
	247
Less: Unearned interest	(3)
	<u>244</u>
Analysed as:	
Current	<u>244</u>

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**25. BANK BORROWINGS**

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

The bank borrowings are guaranteed by the Controlling Shareholders and secured by the investment property of the Group. The personal guarantee given by the Controlling Shareholders has been released on 11 March 2020 and replaced by a corporate guarantee given by the Company.

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

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

	2020	2019
Effective interest rate:		
Variable-rate borrowings	<u>2.48%–2.78%</u>	<u>1.68%–2.48%</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**26. SHARE CAPITAL**

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

The Company was successfully listed on the Main Board of the Stock Exchange on 26 June 2019 by way of 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.

	<b>Number of shares</b>	<b>Par value HK\$</b>	<b>Share capital HK\$'000</b>
<b>Authorised share capital of the Company:</b>			
At date of incorporation on 7 December 2017 and 30 June 2018	38,000,000	0.01	380
Increase on 3 June 2019 <sup>(ii)</sup>	<u>9,962,000,000</u>	<u>0.01</u>	<u>99,620</u>
<b>At 30 June 2019 and 30 June 2020</b>	<b><u>10,000,000,000</u></b>	<b><u>0.01</u></b>	<b><u>100,000</u></b>
<b>Issued and fully paid of the Company:</b>			
At date of incorporation on 7 December 2017 <sup>(i)</sup>		1	—
Issue of shares pursuant to Group 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 30 June 2019 and 30 June 2020</b>		<b><u>800,000,000</u></b>	<b><u>1,389</u></b>

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

(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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**26. SHARE CAPITAL – continued**

- (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 public 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.

**27. 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.

**28. OPERATING LEASE COMMITMENTS**

The Group as lessee

*Disclosure required under IAS 17*

	2019 S\$'000
Minimum lease payments paid under operating leases during the year	124

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

	2019 S\$'000
Within one year	19
In the second to fifth year inclusive	10
	29

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**28. OPERATING LEASE COMMITMENTS – continued**

The Group as lessor

*Disclosure required under IFRS 16*

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

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

*Disclosure required under IAS 17*

	2019 S\$'000
Rental income	118

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

	2019 S\$'000
Within one year	130
In the second to fifth year inclusive	260
	390

**29. CAPITAL COMMITMENT**

	2020 S\$'000	2019 S\$'000
Commitments for development of a technological infrastructure	—	493

**30. RETIREMENT BENEFIT PLAN**

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**31. RELATED PARTY TRANSACTIONS**

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

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

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

**Compensation of key management personnel**

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

**32. CAPITAL RISK MANAGEMENT**

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**33. FINANCIAL INSTRUMENTS****(a) Categories of financial instruments**

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

**(b) Financial risk management objectives and policies**

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

***Interest rate risk***

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

***Sensitivity analysis***

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**33. FINANCIAL INSTRUMENTS – continued****(b) Financial risk management objectives and policies – continued***Currency risk*

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

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

	\$'000
<b>As at 30 June 2020</b>	
Total financial assets	14,227
Total financial liabilities	<u>(1,906)</u>
Net financial assets	12,321
Less:	
Net financial assets denominated in the respective subsidiary's functional currency	<u>—</u>
Currency exposure of financial assets net of those denominated in the respective subsidiary's functional currency	<u><u>12,321</u></u>
	\$'000
<b>As at 30 June 2019</b>	
Total financial assets	21,691
Total financial liabilities	<u>(707)</u>
Net financial assets	20,984
Less:	
Net financial assets denominated in the respective subsidiary's functional currency	<u>—</u>
Currency exposure of financial assets net of those denominated in the respective subsidiary's functional currency	<u><u>20,984</u></u>

*Sensitivity analysis*

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**33. FINANCIAL INSTRUMENTS – continued****(b) Financial risk management objectives and policies – continued***Credit risk*

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

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

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

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

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

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**33. FINANCIAL INSTRUMENTS – continued****(b) Financial risk management objectives and policies – continued***Credit risk – continued*

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**33. FINANCIAL INSTRUMENTS – continued****(b) Financial risk management objectives and policies – continued***Liquidity risk*

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**33. FINANCIAL INSTRUMENTS – continued****(c) Fair value**

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

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

**34. PARTICULARS OF SUBSIDIARIES**

As at the date of this consolidated financial statements, the Company has direct equity interests in the following subsidiaries:

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

All subsidiaries now comprising the Group are limited liability companies.

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

Notes:

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**34. PARTICULARS OF SUBSIDIARIES – continued**

Notes: — continued

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

**35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY**

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – continued**

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

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

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 38. EVENTS AFTER THE REPORTING PERIOD

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

## PARTICULARS OF INVESTMENT PROPERTY

Particulars of investment property held by the Group as at 30 June 2020 are as follows:

<b>Location</b>	<b>Lease</b>	<b>Use</b>	<b>The Group's effective interest</b>
60 Paya Lebar Road #11-52 Paya Lebar Square, Singapore 409051	Medium-term lease	Office	100%



## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published financial statements, is set out as below:

### RESULTS

	Years ended 30 June				
	2020 S\$'000	2019 S\$'000	2018 S\$'000	2017 S\$'000	2016 S\$'000
Revenue	24,742	28,885	26,554	20,732	17,248
Profit before tax	3,278	3,892	5,127	3,769	3,303
Income tax expense	(797)	(1,197)	(1,142)	(527)	(447)
Profit for the year	2,481	2,695	3,985	3,242	2,856
Total comprehensive income for the year	2,481	2,686	3,992	3,257	2,891

### ASSETS AND LIABILITIES

	Years ended 30 June				
	2020 S\$'000	2019 S\$'000	2018 S\$'000	2017 S\$'000	2016 S\$'000
Total assets	36,303	37,598	13,576	11,693	10,111
Total liabilities	9,218	12,994	12,413	10,909	9,399
Net assets	27,085	24,604	1,163	784	712
Total equity	27,085	24,604	1,163	784	712