AM GROUP HOLDINGS LIMITED
秀商時代控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1849)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

Revenue

The total revenue remained stable at approximately S$48.2 million for the year ended 30 June 2023, compared to approximately S$48.2 million for the year ended 30 June 2022. The revenues from the subsidiaries also showed a similar level of stability when compared to the prior year.

Gross Profit Margin

The total gross profit margin decreased by approximately 5.1%, from approximately 32.3% for the year ended 30 June 2022 to 27.2% for the year ended 30 June 2023. This decrease was mainly due to the fact that the increase in the cost of services which is attributed to the rise in direct manpower costs.

Loss Attributable to Equity Shareholders

The loss attributable to equity shareholders of the Company for the year ended 30 June 2023 amounted to approximately S$1.6 million, while there was net profit attributable to owners of the Company of approximately S$1.1 million for the year ended 30 June 2022. This decrease was mainly due to an increase in impairment losses under expected credit loss model from the subsidiary, Majestic State International Limited (“MSIL”), which rose by approximately 750%, from S$0.4 million for the year ended 30 June 2022 to S$3.4 million for the year ended 30 June 2023.

Final Dividend

The Board does not recommend the payment of final dividend for the year ended 30 June 2023 (FY2022: nil).

ANNUAL RESULTS

The board of directors of AM Group Holdings Limited (the "Company", the "Directors" and the "Board", respectively) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, "we", "us", "our" or the "Group") for the year ended 30 June 2023 ("FY2023" or the "Year") (the "Annual Results") together with the comparative information for the year ended 30 June 2022 ("FY2022").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2023

	Note	**2023** *S$'000*	2022 *S$'000*
Revenue	*3*	**48,201**	48,218
Cost of services		**(35,109)**	(32,666)
Gross profit		**13,092**	15,552
Other income	*4*	**634**	345
Other gains or (losses), net	*5*	**7**	(30)
Selling expenses		**(1,332)**	(3,371)
General and administrative expenses		**(8,733)**	(7,433)
Impairment losses under the expected credit loss model, net of reversal		**(3,214)**	(327)
Impairment loss on goodwill		**—**	(1,871)
Finance costs	*6*	**(221)**	(136)
Profit before taxation		**233**	2,729
Income tax expense	*7*	**(1,314)**	(828)
(Loss)/profit for the year	*8*	**(1,081)**	1,901
Other comprehensive loss:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of a foreign operation		**(2,853)**	(65)
Total comprehensive (loss)/income for the year		**(3,934)**	1,836

	Note	**2023**	2022
		S$'000	*S$'000*
(Loss)/profit Attributable to:			
Owners of the Company		**(1,634)**	1,103
Non-controlling interests		**553**	798
		(1,081)	1,901
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(4,156)**	1,047
Non-controlling interests		**222**	789
		(3,934)	1,836
(Loss)/earnings per share (in Singapore cents)			
Basic and diluted	*10*	**(0.2)**	0.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	**2023** **S$'000**	2022 *S$'000*
Non-current assets			
Plant and equipment		**196**	235
Right-of-use assets		**837**	1,475
Investment property		**2,806**	2,869
Goodwill		**10,781**	11,986
Intangible assets	*11*	**3,272**	11,058
		17,892	27,623
Current assets			
Trade and other receivables	*12*	**29,616**	31,421
Cash and cash equivalents		**14,739**	12,307
		44,355	43,728
Current liabilities			
Trade and other payables	*13*	**14,751**	18,847
Contract liabilities		**3,903**	4,976
Lease liabilities		**654**	1,027
Bank and other borrowings		**674**	338
Amount due to non-controlling interests		**637**	—
Income tax payable		**1,439**	821
		22,058	26,009
Net current assets		**22,297**	17,719
Total assets less current liabilities		**40,189**	45,342
Non-current liabilities			
Amount due to non-controlling interests		**—**	605
Lease liabilities		**120**	457
Bank and other borrowings		**1,654**	1,930
Deferred tax liabilities		**3**	4
		1,777	2,996
Net assets		**38,412**	42,346

	Note	**2023**	2022
		S$'000	*S$'000*
Capital and reserves			
Share capital		**1,389**	1,389
Share premium		**19,366**	19,366
Reserves		**11,707**	15,863
Equity attributable to owners of the Company		**32,462**	36,618
Non-controlling interests		**5,950**	5,728
Total equity		**38,412**	42,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

1. GENERAL

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

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

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

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

The consolidated financial statements are approved by the Board on 29 September 2023.

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 July 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules[1]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after a date to be determined.

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

3. REVENUE AND SEGMENT INFORMATION

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

	2023	2022
	S$'000	*S$'000*
Search engine marketing services	**19,058**	19,510
Creative and technology services	**3,535**	3,671
Social media marketing services	**1,545**	1,327
Online platform management services	**24,063**	23,697
Online platform marketing services	**—**	13
	48,201	48,218

	2023	2022
	S$'000	*S$'000*
Timing of revenue recognition:		
Over time:		
— Search engine marketing services	**19,058**	19,510
— Social media marketing services	**1,545**	1,327
— Online platform marketing services	**—**	13
	20,603	20,850
At point in time:		
— Creative and technology services	**3,535**	3,671
— Online platform management services	**24,063**	23,697
	27,598	27,368
Total revenue	**48,201**	48,218

Segment information

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

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

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

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

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

4. Online e-commerce platform operation — technical services, commission for transaction proceeds and marketing services on the online e-commerce platform in the PRC.

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

Segment revenue and results

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

Year ended 30 June 2023

	Search engine marketing services	Creative and technology service	Social media marketing services	Online e-commerce platform operation	Total
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
REVENUE					
External sales and segment revenue	**19,058**	**3,535**	**1,545**	**24,063**	**48,201**
RESULTS					
Segment profit	**3,687**	**2,623**	**627**	**6,155**	**13,092**
Other income					**634**
Other gains, net					**7**
Selling expenses					**(1,332)**
General and administrative expenses					**(8,733)**
Impairment losses under expected credit loss ("ECL") model, net of reversal					**(3,214)**
Finance costs					**(221)**
Profit before taxation					**233**

Year ended 30 June 2022

	Search engine marketing services *S$'000*	Creative and technology service *S$'000*	Social media marketing services *S$'000*	Online e-commerce platform operation *S$'000*	Total *S$'000*
REVENUE					
External sales and segment revenue	19,510	3,671	1,327	23,710	48,218
RESULTS					
Segment profit	4,668	2,961	393	7,530	15,552
Other income					345
Other (losses), net					(30)
Selling expenses					(3,371)
General and administrative expenses					(7,433)
Impairment losses under ECL model, net of reversal					(327)
Impairment loss on goodwill					(1,871)
Finance costs					(136)
Profit before taxation					2,729

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of general and administrative expenses, selling expenses, finance costs, other income, other gains or losses, net, impairment losses under ECL model, net of reversal and impairment loss on goodwill. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

There were no inter-segment sales for each reporting period.

Segment assets and liabilities

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

Geographical information

Revenue by geographical location

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

	2023	2022
	S$'000	*S$'000*
Singapore (country of domicile)	**22,726**	23,190
Malaysia	**1,412**	1,318
China	**24,063**	23,710
	48,201	48,218

Non-current assets by geographical location

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

	2023	2022
	S$'000	*S$'000*
Singapore (country of domicile)	**2,860**	10,840
Malaysia	**114**	167
China	**14,918**	16,616
	17,892	27,623

Information about major customers

No single customer contributes over 10% or more of total revenue of the Group during the years ended 30 June 2023 and 2022.

4. OTHER INCOME

	2023	2022
	S$'000	*S$'000*
Government grants *(Note (a))*	**59**	70
Rental income	**126**	121
Interest income	**227**	—
Others *(Note (b))*	**222**	154
	634	345

Notes:

(a) Included in government grants during the year ended 30 June 2023 was mainly grant provided by Singapore Government under Progressive Wage Credit Scheme (PWCS) to provide transitional wage support for employers amounting to S$41,000 (2022: nil).

(b) Amounting to S$132,000 (2022: S$51,000) mainly represents the delivery management services for a supply chain company of a PRC subsidiary for the year ended 30 June 2023.

5. OTHER GAINS OR (LOSSES), NET

	2023	2022
	S$'000	*S$'000*
Net exchange gains or (losses)	**7**	(30)

6. FINANCE COSTS

	2023	2022
	S$'000	*S$'000*
Interest on bank and other borrowings	**126**	29
Interest expense on lease liabilities	**67**	62
Interest on amount due to non-controlling interests	**28**	45
	221	136

7. INCOME TAX EXPENSE

	2023 *S$'000*	2022 *S$'000*
Tax expense comprises:		
Current tax:		
— Singapore corporate income tax ("CIT")	**671**	509
— Malaysia income tax	**33**	21
— PRC enterprise income tax ("EIT")	**611**	338
Over provision from prior years	**—**	(44)
Deferred tax	**(1)**	4
	1,314	828

Singapore CIT is calculated at 17% of the estimated assessable profit for the year ended 30 June 2023 and 2022.

Malaysia corporate tax is calculated at 24% (2022: 24%) of the estimated assessable profit for the year.

According to the announcement of "The State Administration of Taxation on issues concerning EIT related with enhancing the Western Region Development Strategy"* (國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知), the Group's PRC subsidiaries were registered with the local tax authority to be eligible to the reduced EIT rate of 15% from 2011 to 2020. According to the extension announcement of "The State Administration of Taxation on extension on EIT related with enhancing the Western Region Development Strategy"* (國家稅務總局關於延續西部大開發企業所得稅政策的公告), the Group's PRC subsidiaries will be further eligible to the reduced EIT rate of 15% from 2021 to 2030. Accordingly, PRC EIT is calculated at a preferential income tax rate of 15% for the year ended 30 June 2023.

* *for identification purposes only*

8. (LOSS)/PROFIT FOR THE YEAR

	2023	2022
	S$'000	*S$'000*
(Loss)/profit for the year has been arrived at after charging/ (crediting):		
Directors' emolument		
Fees	**97**	192
Salaries, allowances and other benefits	**2,073**	1,233
Discretionary bonuses	**1,520**	1,000
Retirement benefit scheme contributions	**34**	39
	3,724	2,464
Other staff costs:		
Salaries, allowances and other benefits	**4,487**	5,872
Retirement benefits scheme contributions	**209**	206
	4,696	6,078
Total staff costs	**8,420**	8,542
Auditors' remuneration for audit service	**209**	170
Online e-commerce platform license fee (included in cost of services)	**7,651**	7,108
Depreciation expenses:		
Investment property	**63**	63
Plant and equipment	**105**	88
Right-of-use assets	**865**	1,008
Amortisation of intangible assets	**60**	65
Impairment loss on trade receivables, net of reversal	**3,214**	327
Reversal of impairment loss on investment property	**—**	(102)
Gross rental income from an investment property	**(126)**	(121)
Less: direct operating expenses incurred for investment property that generated rental income during the year	**63**	63
	(63)	(58)

9. DIVIDENDS

No dividends were paid or proposed during the years ended 30 June 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

10. (LOSS)/EARNINGS PER SHARE

	2023	2022
(Loss)/profit attributable to the owners of the Company *(S$'000)*	**(1,634)**	1,103
Weighted average number of ordinary shares in issue *('000)*	**800,000**	800,000
Basic and diluted (loss)/earnings per share *(Singapore cents)*	**(0.2)**	0.1

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

Diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share because the Group had no potential dilutive securities that were convertible into shares during the years ended 30 June 2023 and 2022.

11. INTANGIBLE ASSETS

	Development cost	Trademark	Software	Total
	S$'000	*S$'000*	*S$'000*	*S$'000*
Cost:				
As at 1 July 2021	7,692	49	587	8,328
Addition	3,273	—	—	3,273
Exchange adjustments	(445)	—	(1)	(446)
As at 30 June 2022	10,520	49	586	11,155
Derecognition	(7,692)	—	—	(7,692)
Exchange adjustments	18	(4)	(56)	(42)
As at 30 June 2023	**2,846**	**45**	**530**	**3,421**
Accumulated amortisation:				
As at 1 July 2021	—	2	31	33
Amortisation	—	5	60	65
Exchange adjustments	—	—	(1)	(1)
As at 30 June 2022	—	7	90	97
Amortisation	—	5	55	60
Exchange adjustments	—	—	(8)	(8)
As at 30 June 2023	**—**	**12**	**137**	**149**
Carrying values:				
As at 30 June 2022	10,520	42	496	11,058
As at 30 June 2023	**2,846**	**33**	**393**	**3,272**

Capitalised development costs as at 30 June 2023 related to online platform management and marketing services business segment and amounted to S$2,544,000 (2022: S$2,828,000). The intangible asset was not yet available for use.

The development costs with carrying amount of S$7,692,000 as at 30 June 2022 were incurred in relation to development works performed by an information technology service provider in the People's Republic of China (the "Service Provider") for the development of platforms for strengthening the technology infrastructure of the Group.

Due to the outbreak of COVID-19, there have been delays in the development works for the development of the relevant platforms and consequently, the development of the platforms was not yet completed as at 30 June 2022. The delays had been further aggravated by the sudden blow up of the COVID-19 situation in the PRC in 2022, thus causing further deferments of the expected completion dates of the development works. Given the unexpected delays, the Group considered that it was in its interests to locate another service provider to proceed with the platform development works. As a result, the Group commenced extensive negotiations with the Service Provider to terminate the agreements, and subsequent to the end of the financial reporting period, a settlement agreement (the "Settlement Agreement") was entered into between, among others, the Group and the Service Provider, on 26 September 2022, whereby the Service Provider agreed to fully refund to the Group the entire sum already paid by the Group for the development of the platforms, in consideration for being entitled to all rights and full ownership of the development works carried out to-date.

The refund amount of approximately S$7,692,000 has been refunded to the Group during the year ended 30 June 2023, which results in the derecognition of the intangible assets of carrying amount of S$7,692,000.

As at 30 June 2023 and 2022, the carrying amount of the development costs intangible asset was tested for impairment in accordance with IAS 36 by comparing its recoverable amount (determined based on its value in use) with its carrying amount and no impairment loss for the year ended 30 June 2023 and 2022 was determined.

12. TRADE AND OTHER RECEIVABLES

	2023	2022
	S$'000	*S$'000*
Trade receivables	**20,131**	18,370
Unbilled revenue	**1,055**	790
	21,186	19,160
Less: Allowance for ECL	**(4,142)**	(1,716)
	17,044	17,444
Deposits	**11,299**	12,518
Prepayments	**943**	1,000
Staff loans	**179**	214
Other receivables	**151**	245
Total	**29,616**	31,421

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

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

	2023	2022
	S$'000	*S$'000*
Unbilled revenue	**1,023**	765
Not yet past due	**11,542**	11,420
Less than 30 days	**476**	1,915
31–60 days	**555**	98
61–90 days	**982**	2,366
Over 90 days	**2,466**	880
	17,044	17,444

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 debtors based on different groups of debtors which share common risk characteristics that are representative of the debtors' abilities to pay all amounts due in accordance with the contractual terms. The directors consider that the ECL for other receivables are insignificant as at 30 June 2023 and 2022.

13. TRADE AND OTHER PAYABLES

	2023	2022
	S$'000	*S$'000*
Trade payables	**12,050**	17,358
Accrued expenses	**862**	748
Deposits received	**164**	246
Other tax payables	**1,441**	125
Other payables	**234**	370
	14,751	18,847

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

	2023	2022
	S$'000	*S$'000*
1 to 30 days	**3,798**	2,892
31 to 60 days	**1,577**	258
61 to 90 days	**1,842**	—
91 to 120 days	**4,833**	14,208
	12,050	17,358

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

As a leading player in the industry, the Group's core focus lies in providing exceptional search engine marketing services, comprehensive social media marketing solutions, creative and technology services, along with a robust online e-commerce platform catering to customers in Singapore, Malaysia, and China.

Business Overview and Prospects

Since our establishment in 2005, we have emerged as one of the pioneers in the industry, witnessing remarkable growth in both our service offerings and client base. Through unwavering dedication and innovation, we have risen to become a market leader in Singapore, earning many industry awards and forging valuable partnerships in the process.

At present, our core focus lies in the dynamic realm of online marketing, encompassing a comprehensive suite of services. We excel in search engine marketing, ensuring optimal visibility and reach for our clients. Our search engine optimization strategies drive organic growth, while our social media marketing initiatives foster engaged communities. Complementing these offerings, we have ventured into e-commerce and mobile video streaming, catering to the ever-evolving digital landscape.

Our strategic positioning extends beyond Singapore, Malaysia, and China, as we operate from well-connected, prime business hubs across Asia. This places us at a vantage point to seize untapped opportunities and foster growth in new markets.

Certainly, the past few years have presented challenges due to the widespread impacts of COVID-19 and disruptions in the supply chain caused by the Ukrainian crisis, leading to inflationary pressures. This year, we incurred losses primary due to an increase in impairment losses related to the expected credit loss from MSIL. Undoubtedly, the past few years were challenging due to the far-reaching impacts of COVID-19 and the Ukrainian crisis-induced supply chain disruptions and inflation surge. Nevertheless, our resilience shines through, as we have continued to remain profitably afloat despite the adversities faced. This resolute performance stands as a testament to the robustness of our foundations, efficient operations, visionary leadership, and strategic foresight.

As we map out our trajectory for the upcoming year, we are well-positioned to capitalize on the momentum we have built over the years. Leveraging our established strengths and expertise, we are committed to navigating uncertainties, embracing emerging opportunities, and drive sustained growth and success.

Financial Review

Revenue

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

The following table sets forth the revenue breakdown by the four segments of the revenue for the Year and FY2022:

	2023		2022		Variance	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Search engine marketing services	**19,058**	**39.6**	19,510	40.5	(452)	(2.3)
Creative and technology services	**3,535**	**7.3**	3,671	7.6	(136)	(3.7)
Social media marketing services	**1,545**	**3.2**	1,327	2.8	218	16.4
Online e-commerce platform operation	**24,063**	**49.9**	23,710	49.1	353	1.5
	48,201	**100.0**	48,218	100.0	(17)	0.04

Overall, the Group's total revenue remained stable at approximately S$48.2 million for the FY2023, compared to S$48.2 million for the FY2022.

Revenue from the search engine marketing segment decreased slightly by approximately 2.3% from S$19.5 million for the FY2022 to S$19.1 million for the FY2023. Similarly, revenue from the creative and technology services also declined by approximately 3.7%, dropping from S$3.7 million to S$3.5 million for the FY2023. These declines can be attributed mainly to changes in consumer behavior, such as a shift to other platforms or channels, which may have reduced the demand for search engine marketing services and led to lower revenues.

Revenue from the online e-commerce platform operation of MSIL Group increased by approximately 1.5% from S$23.7 million for the FY2022 to S$24.1 million for the FY2023, indicating a slow recovery from the impact of the COVID-19 in China compared to the previous year.

Revenue from social media marketing services increased by approximately 16.4% from S$1.3 million for the FY2022 to S$1.5 million for the FY2023. This significant increase can be attributed to the successful implementation of targeted search engine optimisation (SEO) strategies, which enhanced the visibility and ranking of our clients' websites in search engine results.

Cost of services

Our cost of services increased by 7.5%, rising from approximately S$32.7 million for the FY2022 to approximately S$35.1 million for the FY2023. The increase in the cost of services is attributed to the rise in direct manpower costs.

Other income

Other income consisted of (i) government grants amounting to S$41,000 received from the Singapore Government under Progressive Wage Credit Scheme (PWCS) to provide transitional wage support for employers; (ii) rental income; (iii) interest income; and (iv) logistics income — amounting to approximately S$131,000 from MSIL for providing delivery management services for a supply chain company.

Other gains or losses, net

Our other gains or losses comprised net exchange gains or losses arising from our subsidiary in Malaysia. The fluctuations in these losses or gains were primarily caused by movements in Hong Kong dollars and Singapore dollar exchange rates. Throughout FY2023, the Group did not encounter any significant difficulties or impacts 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 mitigate foreign exchange risks.

Selling expenses

Our selling expenses primarily consist of staff costs, sales commission for our sales personnel, and marketing-related expenses directly related to our sales and marketing activities. In FY2023, the Group's selling expenses amounted to approximately S$1.3 million, whereas in FY2022, they were approximately S$3.4 million, representing about 2.8% (FY2022: 7.0%) of the Group's total revenue. The decrease was mainly driven by the selling expenses from MSIL, which accounted for an amount of S$0.5 million in selling expenses primarily due to the salary of sales personnel (FY2022: S$2.4 million). The reduction in selling expenses in FY2023 was a result of a decrease in the number of sales personnel in MSIL.

General and administrative expenses

Our general and administrative expenses primarily consist of staff costs, directors' remuneration, depreciation, rental expenses, entertainment expenses, and office expenses. These expenses increased from approximately S$7.4 million in FY2022 to S$8.7 million in FY2023. The increase was mainly due to an increase in directors' remuneration and bonuses, amounting to S$3.7 million in FY2023 (FY2022: S$2.4 million).

Impairment losses under the ECL model

In the FY2023, MSIL Group recorded impairment losses totaling S$3.4 million under the ECL model, marking a substantial increase of approximately 750% compared to the previous year's amount of approximately S$0.4 million.

This provision is due to increase in credit-impaired trade receivables that are overdue over 90 days.

Impairment loss on goodwill

During the year ended 30 June 2023, based on value in use calculation, the recoverable amount exceeds the carrying values of online e-commerce platform operation, and consequently no impairment has been made.

Finance cost

Our finance costs increased from approximately S$0.14 million in FY2022 to approximately S$0.22 million in FY2023. The increase was mainly due to finance costs of S$0.1 million from other borrowings in PRC (FY2022: nil) with an interest rate ranging from 5.77% to 7.64% plus loan prime rate at the National Interbank Funding Center of China's Central Bank. The effective interest rate on bank borrowings in Singapore in FY2023 and FY2022 ranged from 1.58% to 1.98%.

Income tax expense

Our income tax expenses consisted of provisions for PRC, Singapore, and Malaysia current income tax expenses. The income tax expense increased by approximately 59% from approximately S$0.8 million in FY2022 to approximately S$1.3 million in FY2023. The increase was primarily attributed to the greater amount of non-deductible taxable income for the Year.

Loss for the Year

The Group recorded a loss of approximately S$1.1 million for the Year, in contrast to a profit of approximately S$1.9 million in FY2022. The main reason for this loss was primarily due to impairment losses under the ECL model from the subsidiary, totaling approximately S$3.4 million for the year, compared to S$0.3 million in FY2022.

FINANCIAL POSITIONS

Our total equity declined from S$42.3 million in FY2022 to S$38.4 million in FY2023, primarily due to increased operating expenses and recognition of impairment losses.

As at 30 June 2023, our net current assets amounted to approximately S$22.2 million, a significant increase from approximately S$17.7 million as at 30 June 2022. This rise was mainly due to the increase in bank balances and cash, which amounted to approximately S$14.7 million as at 30 June 2023, compared to approximately S$12.3 million as at 30 June 2022.

LIQUIDITY AND CAPITAL RESOURCES

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

Bank and other Borrowings

The bank borrowings are guaranteed by the Company and secured by the investment property of the Group. Certain bank and other borrowings are guaranteed by Mr. Mu Lei ("Mr. Mu"), an executive director of the Company and charged at interest rate within 5.77% to 7.64% plus loan prime rate at The National Interbank Funding Center of China's central bank. The variable-rate bank borrowings carry interests at certain basis points below the bank's prime lending rate per annum. The borrowing was guaranteed by Mr. Mu under guarantee agreements entered into between the respective creditors, debtors and Mr. Mu. Mr. Mu is an executive Director, such transactions would be constituted as connected transactions of financial assistance received by the Group under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Since the borrowing was on normal commercial terms or better and was not secured by the assets of the Group, and no fee is charged by Mr. Mu for entering into the guarantee agreements, the borrowing was fully exempted from any reporting requirements under Chapter 14A of the Listing Rule.

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

	2023	2022
Effective interest rate:		
Variable-rate borrowings — bank borrowings	**1.58%–1.98%**	2.48%–2.78%
Variable-rate borrowings — other borrowings	**10.71%–11.34%**	10.71%–11.34%

Charge on Assets

The bank borrowings as at 30 June 2023 were secured against investment property of the Group with a carrying amount of approximately S$2.8 million as at 30 June 2023.

Material Acquisition and Disposal of Subsidiaries and Associates and Joint Ventures

The Group did not have any material acquisition and disposal of subsidiaries and associates and joint ventures during the Year.

Gearing Ratio

As at 30 June 2023, the Group's gearing ratio was approximately 6.1%, representing an increase compared to the previous year (30 June 2022: 4.0%). The gearing ratio is determined by dividing the total interest-bearing liabilities by the total equity at the end of the respective financial year.

Foreign Exchange Exposure

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

Capital Commitment

	2023	2022
	S$'000	*S$'000*
Contracted, but not provided for:		
Commitments for development of a technological infrastructure	**1,903**	1,885

Contingent Liabilities and Guarantees

As at 30 June 2023, we did not have any unrecorded significant contingent liabilities, guarantees or any litigations against us.

USE OF NET PROCEEDS FROM LISTING

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 26 June 2019 (the "Listing"). After considering the business operating environment and the development of the Group, the Board has decided to change the use of the unutilised net proceeds from the Listing (the "Net Proceeds") as stated in the Company's announcement dated 29 October 2020 and 26 September 2022 (the "Announcements"). For details of the change in use of the unutilised Net Proceeds, please refer to the Announcements.

During the Year, some changes were made to the technological infrastructure, and the Board entered into a settlement agreement with the Service Provider for a full refund of S$7,199,070 to the Group due to delays in development and changes in the business operating environment. For additional information, kindly refer to the Company's announcement dated 26 September 2022.

The table below presents the breakdown of the intended use and the timeline for utilisation as of 30 June 2023. The Net Proceeds amounted to approximately HK$92 million.

	Intended use of Net Proceeds from the share offer (per Prospectus)	Approximate percentage of Net Proceeds	Revised allocation of unutilised Net Proceeds	Approximate percentage of Net Proceeds	Amount utilised as at 30 June 2022	Remaining balance as at 30 June 2022	Amount received under the Settlement Agreement *(note)*	Amount utilised during the Year	Remaining balance as at 30 June 2023	Expected timeline to use unutilised Net Proceeds
	HK$ million	*%*	*HK$ million*	*%*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	
Strengthening the technological infrastructure	58.2	63.3	58.2	63.3	40.65	17.55	40.65	—	58.20	Q4 2024
Acquisition of a website development and hosting company	26.2	28.5	—	—	—	—	—	—	—	N/A
Establishment of a sales office in Johor Bahru, Malaysia	5.3	5.7	—	—	—	—	—	—	—	N/A
Working Capital	2.3	2.5	2.3	2.5	2.30	—	—	—	—	N/A
Acquisition of additional interest in an associated company	—	—	31.5	34.2	31.50	—	—	—	—	N/A
	92.0	100.0	92.0	100.0	74.45	17.55	40.65	—	58.20	

Note: As set out in the announcement dated 26 September 2022, the sum of S$7,199,070 (approximately HKD40.65 million) are refunded by the Service Provider.

The Board is still of the view that developing and strengthening the technological infrastructure is critical to the Group's future development as paying efforts in this direction will enable the business of the Group be more scalable and will extend the Group's lead in this rapidly evolving online marketing industry. Since the Company expects to take some time to locate a suitable replacement vendor, the Group intends to allocate the fund generally for the purpose of strengthening the technological infrastructure at this stage.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had 82 (30 June 2022: 125) employees and our employee remuneration for the Year totalled approximately S$8.4 million (including salary, bonuses, and other employee benefits). The amount was approximately S$8.5 million for the FY2022. The remuneration of our employees is determined based on their performance, experience, competence and market comparable. Their remuneration package includes salaries, bonuses related to their performance, allowances and retirement benefit schemes for employees in Singapore, Malaysia and China. The Group also provides customised training to its staff to enhance their technical and product knowledge.

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

Furthermore, the Company has adopted a share option scheme (the "Scheme") for the purpose of providing incentives or rewards to eligible persons for their contributions to the Group. As no share option has been granted by the Company under the Scheme since the listing, there was no share option outstanding as at 30 June 2023 and no option was exercised or cancelled or lapsed during the Year.

OTHER INFORMATION

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

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

Annual General Meeting

The 2023 annual general meeting of the Company (the "2023 AGM") is scheduled to be held on Wednesday, 29 November 2023. A notice convening the 2023 AGM will be published and despatched to the shareholders of the Company (the "Shareholders") in accordance with the requirements of the articles of association of the Company and the Listing Rules.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 24 November 2023 to Wednesday, 29 November 2023, both dates inclusive, during which period no transfer of Shares will be affected. In order to determine the identity of Shareholders who are entitled to attend and vote at the 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Thursday, 23 November 2023.

Scope of Work of HLB Hodgson Impey Cheng Limited

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

Compliance with the Corporate Governance Code

The Group is committed to implementing high standards of corporate governance to safeguard the interests of the Shareholders and enhance the corporate value as well as the responsibility commitments. The Company has adopted the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "CG Code") as its own code of corporate governance and complied with all mandatory disclosure requirements and all applicable code provisions as set out in the section headed "Part 2 — Principles of good corporate governance, code provisions and recommended best practices" of the CG Code during the Year except disclosed as follows:

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

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

Model Code for Securities Transactions by Directors

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

Audit Committee

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

Review of Annual Results

The consolidated financial results of the Group for the FY2023 have been reviewed by the Audit Committee and the figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, and the related notes thereto for the FY2023 as set out in this announcement have been agreed by our independent auditor, HLB, to the amounts set out in the Group's consolidated financial statements for the FY2023. The Audit Committee is of the opinion that such results have been prepared in compliance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

Appreciation

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

Publication of Annual Results

The annual report of the Company for the FY2023 containing all the relevant information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.amgroupholdings.com) in due course in the manner as required by the Listing Rules.

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

Hong Kong, 29 September 2023

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