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AM GROUP HOLDINGS LIMITED

秀商時代控股有限公司

(Formerly known as AM Group Holdings Limited 創世紀集團控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1849)

CHANGE IN USE OF PROCEEDS

References are made to the prospectus of AM Group Holdings Limited (the “**Company**”) dated 13 June 2019 (the “**Prospectus**”) in relation to the Listing by way of the Share Offer, the announcement of the Company dated 24 September 2019, the annual report of the Company for the year ended 30 June 2019, the announcement of the Company dated 24 February 2020, the interim report of the Company for the six months ended 31 December 2019, the announcement of the Company dated 30 September 2020 and the annual report of the Company for the year ended 30 June 2020 (the “**2019/2020 Annual Report**”), in which the utilisation of the net proceeds from the Listing (the “**Net Proceeds**”) by the Group from the Listing Date up to 30 June 2020 was disclosed. Unless otherwise defined, capitalised terms used in this announcement shall have the same respective meanings as those defined in the Prospectus and the 2019/2020 Annual Report.

USE OF PROCEEDS

It was disclosed in the sections headed “Future Plans and Use of Proceeds” and “Use of Net Proceeds from Listing” in the Prospectus and the 2019/2020 Annual Report, respectively, that the Company intended to use the Net Proceeds for the following purposes:

- (i) approximately 63.3% or HK\$58.20 million, for strengthening the technological infrastructure;
- (ii) approximately 28.5% or HK\$26.20 million, for acquisition of a website development and hosting company;
- (iii) approximately 5.7% or HK\$5.30 million, for establishment of a sales office in Johor Bahru, Malaysia; and
- (iv) approximately 2.5% or HK\$2.30 million, for working capital.

As at the date of this announcement, the Group had utilised approximately HK\$40.65 million or approximately 44.2% of the Net Proceeds and the unutilised Net Proceeds amounted to approximately HK\$51.35 million (the “**Unutilised Net Proceeds**”).

CHANGE IN USE OF NET PROCEEDS

The Board, after considering the business operating environment and the development of the Group, has resolved to change the use of the Unutilised Net Proceeds. Set out below is the utilisation of the Net Proceeds up to the date of this announcement and the revised allocation of the Unutilised Net Proceeds:

	Intended use of Net Proceeds from the Share Offer <i>HK\$ million</i>	Approximate percentage of Net Proceeds %	Amount utilised up to the date of this announcement <i>HK\$ million</i>	Remaining balance as at the date of this announcement <i>HK\$ million</i>	Revised allocation of Unutilised Net Proceeds <i>HK\$ million</i>	Expected timeline to use Unutilised Net Proceeds
Strengthening the technological infrastructure	58.20	63.3	40.65	17.55	17.55	<i>Note</i>
Acquisition of a website development and hosting company (the “ Website Company ”)	26.20	28.5	—	26.20	—	—
Establishment of a sales office in Johor Bahru, Malaysia	5.30	5.7	—	5.30	—	—
Working capital	2.30	2.5	—	2.30	2.30	Q1 2021
Acquisition of additional interest in an associated company	—	—	—	—	31.50	Q4 2020
Total	<u>92.00</u>	<u>100</u>	<u>40.65</u>	<u>51.35</u>	<u>51.35</u>	

Note: The deployment of the Net Proceeds for strengthening technological infrastructure is divided into phases and the initial deployment was made in Q4 2019, as detailed in the Prospectus. It is expected that the development of (i) Platform A would be completed in Q1 2022; and (ii) Platform B would be completed in Q2 2023. The deployment of Net Proceeds for Platform C is expected to be in Q2 2021.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF NET PROCEEDS

The Group originally allocated approximately HK\$26.20 million from the Net Proceeds for acquisition of a Website Company and approximately HK\$5.30 million from the Net Proceeds for establishment of a sales office in Johor Bahru, Malaysia. As at the date of this announcement, none of the Net Proceeds was used for acquisition of a Website Company as well as establishment of a sales office in Johor Bahru, Malaysia.

Like many other businesses, the Group has encountered challenges in the first three quarters of 2020 such as the novel coronavirus disease 2019 (the “COVID-19”) pandemic and a slow-down of the global economy. Due to these unfavourable reasons, customers are expected to remain cautious and reduce their advertising spend or budget to spend. The original capital plans to use the Net Proceeds for acquisition of a Website Company as well as establishment of a sales office in Johor Bahru, Malaysia are no longer suitable for the Group’s business growth.

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 that meet the Group’s acquisition criteria under the current economic condition. As such, the management has changed the strategy to expand the website team internally, which would be more appropriate in the current economical environment where growth in demand has slowed down significantly. The Group would be able to keep the cost in control and expand the website team in tandem to the increase in demand as the global economy recovers from the COVID-19 pandemic.

Also, due to the current COVID-19 situation, it would not be the best time to establish a sales office in Johor Bahru, Malaysia due to lower sales opportunities in Johor Bahru. This plan would be shelved indefinitely.

The Group has actively adjusted its strategies and reallocated the use of the Unutilised Net Proceeds from acquisition of a Website Company and establishment of a sales office in Johor Bahru to acquisition of additional interest in an associated company. As the demand of online marketing in the PRC is large, the Group would like to increase its exposure in the PRC market and seek collaboration with PRC-based digital platforms. Accordingly, approximately HK\$31.50 million of the Unutilised Net Proceeds will be reallocated to acquire additional interest in the associated company which operates digital platform in the PRC. The associated company will become a subsidiary of the Group after the proposed acquisition.

The Board is of the view that the re-allocation of the Unutilised Net Proceeds will be more favourable to the Group's long term business development as well as a better utilisation of the Unutilised Net Proceeds. The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus and considers that the proposed change in the use of the Unutilised Net Proceeds will not have any material adverse impact on the operations of the Group. The Board believes that such flexibility in financial management is in the best interest of the Company and the Shareholders as a whole.

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

Chairlady, Executive Director and Chief Executive Officer

Hong Kong, 29 October 2020

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