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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)

UPDATE ON USE OF PROCEEDS

References are made to (i) the prospectus of the Company dated 13 June 2019 (the “**Prospectus**”) in relation to the Listing by way of Share Offer; (ii) the Company’s announcement dated 29 October 2020 (the “**Previous Announcement**”) in relation to the Company’s change in the use of the net proceeds from the Listing (the “**Net Proceeds**”); and (iii) the interim report of the Company for the six months ended 31 December 2021 (the “**Interim Report 2021**”).

Unless otherwise specified, terms used in this announcement shall have the meanings as defined in the Prospectus and the Previous Announcement.

Subsequent to the publication of the Previous Announcement, as disclosed in the section headed “Use of Net Proceeds from Listing” in the Interim Report 2021, the Company’s latest intended use of the Net Proceeds are as follows:

- (i) approximately 63.3% or HK\$58.20 million, for strengthening the technological infrastructure;
- (ii) approximately 2.5% or HK\$2.30 million, for working capital; and
- (iii) approximately 34.2% or HK\$31.50 million, for acquisition of additional interest in an associated company.

As at the date of this announcement, the Group had utilised approximately HK\$74.45 million of the Net Proceeds and the unutilised Net Proceeds amounted to approximately HK\$17.55 million (the “**Unutilised Net Proceeds**”).

SETTLEMENT AGREEMENT

With regard to the Net Proceeds, the Company had entered into two agreements with an information technology service provider (the “**Service Provider**”), being a third party independent to the Company, in 2019, which related to strengthening of the technology infrastructure of the Group, being the agreements for Platform A and Platform B.

The services under these agreements had been commenced as scheduled in late 2019; however, due to the outbreak of COVID-19, there has been delay in the completion of the relevant platforms as disclosed in the Interim Report 2021, and consequently, the Board considered that it was in the interest of the Company and its Shareholders as a whole to locate another vendor to proceed with the platform development. This delay has been further aggravated by the sudden blown up of the COVID-19 situation in the People’s Republic of China in 2022, thus causing a further deferment of the completion date.

As a result thereof, the Board had commenced extensive negotiations with the Service Provider, and the Board is pleased to announce that a settlement agreement (the “**Settlement Agreement**”) had been entered into between, among others, the Company and the Service Provider, on 26 September 2022, in which the Service Provider agreed to refund the entire sum already paid by the Company under the two agreements for the development of Platform A and Platform B to Company, being a sum of S\$7,199,070 (which is equivalent to approximately HK\$38,720,000) (the “**Settlement Sum**”).

UPDATE ON USE OF THE UNUTILISED NET PROCEEDS

The Board, after considering the business operating environment and the latest development of the Group, has resolved to allocate the Settlement Sum back to the original intended use of strengthening the technological infrastructure by locating another suitable replacement vendor.

Accordingly, the remaining unutilised balance for strengthening the technological infrastructure will increase from approximately HK\$17.55 million to approximately HK\$56.27 million. Set out below is (i) the utilisation of the Net Proceeds up to the date of this announcement; and (ii) the unutilised balance of the Net Proceeds up to the date of this announcement (assuming the entire Settlement Sum has been received):

	Intended use of the Net Proceeds based on the Previous Announcement and the Interim Report 2021 <i>HK\$ million</i>	Approximate percentage of Net Proceeds %	Amount of Net Proceeds utilised up to the date of this announcement <i>HK\$ million</i>	Remaining balance of Net Proceeds as at the date of this announcement <i>HK\$ million</i>	Amount to be received under the Settlement Agreement <i>HK\$ million</i>	Remaining balance of Unutilised Net Proceeds as at the date of this announcement (assuming Settlement Sum has been received) <i>HK\$ million</i>	Expected timeline to use Unutilised Net Proceeds
Strengthening the technological infrastructure	58.20	63.3	40.65	17.55	38.72	56.27	Q4 2024
General working capital	2.30	2.5	2.30	—	—	—	N/A
Acquisition of additional interest in an associated company	31.50	34.2	31.50	—	—	—	N/A
	<u>92.00</u>	<u>100.0</u>	<u>74.45</u>	<u>17.55</u>	<u>38.72</u>	<u>56.27</u>	

REASONS FOR AND BENEFITS OF KEEPING THE USE OF NET PROCEEDS

Although the Company has terminated the project with the Service Provider on strengthening the technological infrastructure as per the original plan, 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.

The Board is of the view that such allocation of the Unutilised Net Proceeds is in the best interest of the Company and its Shareholders as a whole, and there is no material adverse impact on the operations of the Group in relation to the update on the use of the Unutilised Net Proceeds as stated above.

By Order of the Board
AM GROUP HOLDINGS LIMITED
TEO LI LIAN

Co-Chairlady, Executive Director and Chief Executive Officer

Hong Kong, 26 September 2022

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