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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)

DISCLOSEABLE TRANSACTION DISPOSAL OF 18% SHAREHOLDING IN A WHOLLY-OWNED SUBSIDIARY

Financial Adviser



EUTO CAPITAL PARTNERS LIMITED

DISPOSAL OF SALE SHARES

On 30 April 2021 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Company agreed to sell and the Purchaser agreed to purchase the Sale Shares at a consideration of S\$2,300,000.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios as defined under the Listing Rules in relation to the Disposal are less than 25% but more than 5%, the Disposal constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 30 April 2021 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Company agreed to sell and the Purchaser agreed to purchase the Sale Shares at a consideration of S\$2,300,000.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below.

Date: 30 April 2021 (after trading hours)

Parties: (1) the Company; and
(2) the Purchaser

To the best of the Directors' knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are the Independent Third Parties.

Subject Matter of the Disposal

Pursuant to the Sale and Purchase Agreement, the Company agreed to sell, and the Purchaser agreed to purchase 18 Sale Shares, representing 18% of the existing issued share capital of the Target Company, free from all encumbrances together with all rights attaching thereto on and after the Completion Date. Immediately before Completion, the Company is the legal and beneficial owner of the Sale Shares.

Consideration and Payment Terms

The consideration payable for the sale and purchase of the Sale Shares shall be S\$2,300,000, which shall be settled in two instalments in the following manner:

- (1) 10% of the consideration (in an amount equivalent to S\$230,000) shall be paid by the Purchaser in cash or by bank transfer upon signing of the Sale and Purchase Agreement as non-refundable deposit; and
- (2) the remaining 90% of the consideration (in an amount equivalent to S\$2,070,000) shall be paid by the Purchaser in cash or by bank transfer upon Completion.

The consideration was determined after arm's length negotiations between the Company and the Purchaser taking into account (i) the business development opportunity and prospects of the Target Group; and (ii) the current financial status of the Target Group; (iii) the net asset value of the Target Group as at 31 December 2020; and (iv) the valuation of the entire issued share capital of Target Company as at 31 March 2021 conducted by Vincorn Consulting and Appraisal Limited at S\$12,600,000 using the market approach.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Disposal to be fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Completion and Conditions Precedent

The Completion shall be conditional upon and subject to:

- (i) the Company having delivered or procured the delivery to the Purchaser or to its order of all the following:
 - (a) the instrument of transfer duly executed by the Company on its part and the certificate(s) of the securities to be transferred in respect of the Sale Shares;
 - (b) a copy of the resolutions of the board of directors of the Target Company approving the transfer of the Sale Shares;
 - (c) a copy of the resolutions of the board of directors of the Company approving the Sale and Purchase Agreement and the transactions contemplated thereunder and authorising a person or persons to execute the same and all other documents relating or incidental thereto (under seal, where appropriate) for and on its behalf; and
 - (d) such other documents as may be required and necessary to give a good and effective transfer of title to the Sale Shares to the Purchaser or such nominees and to enable the Purchaser or such nominees to become the registered and beneficial holders thereof free from all encumbrances in accordance with the Sale and Purchase Agreement; and
- (ii) the Purchaser having delivered to the Company of a copy of the resolutions of the board of directors of the Purchaser approving the Sale and Purchase Agreement and all transactions contemplated thereunder and authorizing a person or persons to execute the same and all other documents relating or incidental thereto (under seal where appropriate) for and on its behalf.

INFORMATION OF THE TARGET COMPANY AND THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. The principal business activities of the Target Group are (i) provision of online marketing services; and (ii) provision of creative and technology services.

Financial Information of the Target Group

The financial information of the Target Group for the two financial years ended 30 June 2019 and 2020 and for the six months ended 31 December 2020 is as follows:

	For the year ended 30 June 2019	For the year ended 30 June 2020	For the six months ended 31 December 2020
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Revenue	28,884	24,742	11,128
Profit/(loss) before taxation and extraordinary items	7,035	4,319	25
Profit/(loss) after taxation and extraordinary items	5,838	3,522	(37)
	As at 30 June 2019	As at 30 June 2020	As at 31 December 2020
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Total assets	20,179	29,926	30,573
Total liabilities	11,380	17,605	18,289

Upon Completion, the Company will cease to own the Sale Shares, but the Target Company and other members of the Target Group will remain as non-wholly owned subsidiaries of the Company.

It is estimated that the Group will record a loss of approximately S\$18,000 from the Disposal, which is calculated based on the consideration to be received after deducting the net book value of the Target Company as at 31 December 2020 and the necessary costs and expenses of approximately S\$2,318,000.

The final amounts of the loss arising from the Disposal will be subject to auditing by the auditors of the Company.

The net proceeds from the Disposal of approximately S\$2.2 million will be used for general working capital purpose of the Group.

INFORMATION ABOUT THE PARTIES TO THE SALE AND PURCHASE AGREEMENT

The Group

The Group is principally engaged in (i) the provision of marketing services, which include search engine marketing services, creative technology services and social media marketing services; and (ii) the operation of online e-commerce platforms in an innovative business model of “Internet mall + real-time internet broadcasting and short-form mobile videos” through a mobile application named “秀友” (“**E-Commerce Business**”).

The Purchaser

The Purchaser is an exempt private company limited by shares incorporated in Singapore with limited liability and is principally engaged in the business of advertising and software development and programming, which has been a customer and supplier of the Group.

To the best of the Directors’ knowledge, information and belief having made all reasonable inquiry, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE AND PURCHASE AGREEMENT

As disclosed in the interim report of the Company for the six months ended 31 December 2020, the global pandemic (COVID-19) has forced many countries into various levels of lockdowns and movement restrictions and hindered business travel, sales meetings and marketing events from being carried out as per normal, as a result of which the Group’s profitability has been significantly affected.

That said, the Group is able to mitigate the impact by acquiring Majestic State International Limited and its subsidiaries, which principally engaged in the E-Commerce Business. This business segment immediately contributed promising revenue of approximately S\$3.3million to the Group during the period, even though such revenue contribution was not able to offset the losses incurred by the Group’s search engine marketing services and creative and technology services segments.

With the above circumstances, the Directors have been evaluating the Group's business strategies with an aim to achieve the best use of its resources and improve its overall performance. The Directors consider the Disposal could (i) bring in synergy due to the introduction of a new minority shareholder; (ii) bring in additional cash from the consideration of the Disposal; (iii) provide a good opportunity for the Group to restructure its strategic business position and focus its resources in pursuing development opportunities of the E-Commerce Business.

As such, the Board considers it to be commercially necessary and beneficial to enter into the Sale and Purchase Agreement.

The Directors (including the independent non-executive Directors) consider that the Disposal and the terms of the Sale and Purchase Agreement to be fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios as defined under the Listing Rules in relation to the Disposal are less than 25% but more than 5%, the Disposal constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As none of the Directors has a material interest in the Disposal, no Director is required to abstain from voting on the relevant resolution of the Board approving the Disposal.

DEFINITIONS

Unless otherwise stated, the terms in this announcement have the following meanings:

“Board”	the board of Directors
“Business Day”	a day when banks in Hong Kong are open for business (excluding Saturdays, Sunday, public holidays and any days on which a tropical cyclone warning no.8 or above is hoisted or remained hoisted between 9:00 a.m. and 5 p.m. and is not lowered at or before 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.)
“Company”	AM Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 1849)
“Completion”	the completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement

“Completion Date”	the date of the Sale and Purchase Agreement or the next Business Day after the date of the Sale and Purchase Agreement
“Directors”	directors of the Company
“Disposal”	the disposal of the Sale Shares pursuant to the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner which, to the best of the Directors’ knowledge and belief, having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Eden Publishing Pte. Ltd., an exempt private company limited by shares incorporated in Singapore and is wholly-owned by Ms. Teoh Annie
“Sale and Purchase Agreement”	the sale and purchase agreement dated 30 April 2021 and entered into between the Company as seller and the Purchaser as purchaser in relation to the Disposal
“Sale Shares”	18 issued shares of the Target Company of US\$1.00 each in the capital of the Target Company, representing 18% of the issued share capital of the Target Company
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“S\$”	Singapore dollar, the lawful currency of Singapore
“Target Company”	Activa Media Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiaries

“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, 30 April 2021

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