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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)

(1) SUPPLEMENTAL INFORMATION RELATED TO THE DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE MAJORITY STAKE OF MAJESTIC STATE INTERNATIONAL LIMITED; AND (2) GRANT OF WAIVER FROM STRICT COMPLIANCE WITH RULES 14A.52 AND 14A.53 OF THE LISTING RULES

Reference is made to the announcements of AM Group Holdings Limited (the “**Company**”) dated 23 November 2020 and 30 November 2020 in relation to, among other things, the acquisition of the majority stake of Majestic State pursuant to a conditional sale and purchase agreement dated 23 November 2020 and entered into between the Company, ROC and Mr. Mu, and the announcement of the Company dated 29 January 2021, in relation to, among other things, the appointment of Mr. Mu as an executive Director (collectively, the “**Announcements**”).

Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

SUPPLEMENTAL INFORMATION RELATED TO THE DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE MAJORITY STAKE OF MAJESTIC STATE INTERNATIONAL LIMITED

Reference is made to the announcement of the Company dated 23 November 2020. The Board would like to supplement the following potential risks to the Group in relation to the Acquisition as follows.

Potential Risks to the Group

The Business Collaboration Agreements, in the worst case scenario, may be regarded as invalid and illegal. As a result, the Group may be required to dispose of the business under the Business Collaboration Agreements and will lose rights to receive the economic benefits from Show Times (Chongqing), such that the financial results of Show Times (Chongqing) would no longer be consolidated into the Company's financial results and the Company will have to de-recognise assets and liabilities of Show Times (Chongqing) according to the relevant accounting standards. If the Company no longer has a sustainable business after such disposal, the Stock Exchange may delist the Company.

The Board would further like to supplement the sub-paragraph headed "Uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and how it may impact the viability of the current corporate structure, corporate governance and business operations of the Target Group" under the section of "Risk Factors in relation to the Business Collaboration Agreements" in the announcement of the Company dated 23 November 2020 as follows:

The "variable interest entity" (the "VIE") structure has been adopted by many fully or partially foreign-owned companies (including the Target Company by way of the Contractual Arrangements) which, through its subsidiaries in the PRC, assumes control over an operating company incorporated in the PRC which holds the necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. It will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations.

In addition, the Foreign Investment Law further specifies that foreign investments shall be conducted in line with the negative list issued by or approved to be issued by the State Council. If a foreign invested enterprise or a foreign invested entity (the "FIE") proposes to conduct business in an industry subject to foreign investment "restrictions" in the "negative list", the FIE must meet certain conditions under the "negative list" before being established. An FIE shall not conduct or engage in business in an industry subject to foreign investment "prohibitions" in the "negative list". It is uncertain whether the businesses operated by Show Times (Chongqing) from time to time will be or continue to be subject to the foreign investment restrictions or prohibitions under the "negative list" to be issued in future.

Since there are uncertainties with respect to the interpretation and implementation of the newly enacted Foreign Investment Law, the Board will closely monitor the development of the Foreign Investment Law with the assistance of the Company's PRC legal adviser, including but not limited to any new negative list issued by or approved to be issued by the State Council, or any future laws, administrative regulations or provisions prescribed by relevant governmental authorities. The Company will then discuss with its PRC legal

adviser in order to assess any possible impact arising from the development of the Foreign Investment Law on the Business Collaboration Agreements and the business operation of the Group.

In case there would be material and adverse effect on the Group or the business of the Target Group arising from the Foreign Investment Law, the Company will disclose, as soon as possible: (i) updates of material development to the Foreign Investment Law as and when it occurs; and (ii) specific measures taken by the Company to fully comply with the development to the Foreign Investment Law supported by a PRC legal opinion and any material impact of the development of the Foreign Investment Law on the Company's operations and financial position.

GRANT OF WAIVER FROM STRICT COMPLIANCE WITH RULES 14A.52 AND 14A.53 OF THE LISTING RULES

As disclosed in the Announcements, Mr. Mu was the majority ultimate beneficial owner of ROC, being the vendor of the Sale Shares, and personally guaranteed the performance of the obligations of ROC under the SPA. Mr. Mu is also the majority legal owner of Show Times.

As disclosed in the Announcements, pursuant to the SPA, a profit guarantee had been provided by ROC (which was in turn personally guaranteed by Mr. Mu). Mr. Mu has been a director of Majestic State since the date of its incorporation on 15 May 2020. As such, Mr. Mu has become a connected person of the Company at subsidiary level since Majestic State has become a non-wholly owned subsidiary of the Company on 30 November 2020 and has been a connected person of the Company at the Company level at the time when he was appointed as an executive Director on 29 January 2021.

As disclosed in the Announcements, the guarantees provided by Mr. Mu and ROC are subject to the requirements of annual review and disclosure (including publishing announcement and annual reporting) under Chapter 14A of the Listing Rules pursuant to Rule 14A.60(1) of the Listing Rules. If the actual performance of Show Times fails to meet the guarantees under the SPA as disclosed in the announcement dated 23 November 2020, the Company will make relevant disclosures in order to comply with the disclosure requirements under Rule 14A.63 of the Listing Rules.

Besides the guarantees, it has come to the attention of the Board that the transactions contemplated under the Business Collaboration Agreements had also constituted continuing connected transactions ("CCTs") of the Company, as Show Times (Chongqing) is held by Mr. Mu and hence an associate of Mr. Mu under the Listing Rules. As such, the Company has applied for a waiver (the "**Waiver**") pursuant to Rule 14A.102 of the Listing Rules from (i) (the requirement of fixing the term of the Business Collaboration Agreements of not exceeding three years under Rule 14A.52 of the Listing Rules; and (ii) the requirement of setting annual caps for the service fees payable by Show Times (Chongqing) to the WFOE for the Business Collaboration Agreements under Rule 14A.53 of the Listing Rules.

The Company has applied for the Waiver for the following reasons:

- (a) the Business Collaboration Agreements, taken as a whole, permit the results and financial operations of Target Group to be consolidated by the Group as if it was a subsidiary of the WFOE, resulting in all of the economic benefits of its business flowing to the WFOE, a subsidiary of the Company, and thus places the Group in a special position in relation to connected transaction rules. Accordingly, notwithstanding that the transactions contemplated under the Business Collaboration Contracts technically constitute CCTs for the purpose of Chapter 14A of the Listing Rules, the Directors consider that it would be unduly burdensome and impracticable and would impose unnecessary administrative costs on the Company to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules in respect of these CCTs, details of which are as follows:
 - (i) given that the financial results of Show Times (Chongqing) will be consolidated into the Group's financial results and all the economic benefits of Show Times (Chongqing)'s business will flow to the Group under the Contractual Arrangements, for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", Show Times (Chongqing) will be treated as the Company's non-wholly-owned subsidiary. Thus, the Contractual Arrangements place the Group in a special position in relation to the connected transactions rules. Notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, such transactions do not fall into the "suspect" category that warrants the protection afforded by the Listing Rules governing connected transactions. Thus, given the Contractual Arrangements represent a long-term arrangement for the Group in operating its principal business, it is impractical and unduly burdensome and adds to the additional cost and administrative burden on the Company if such transactions are subject to strict compliance with the requirements set out under Rule 14A.52 of the Listing Rules.

- (ii) given all economic benefits of Show Times (Chongqing) will flow to Majestic State under the Business Collaboration Agreements, the arrangements under the Business Collaboration Agreements are equivalent to the Group operating Majestic State as if Majestic State were a non-wholly-owned subsidiary, and in turn, operating Show Times (HK) and Show Times (Chongqing) as if they were the wholly-owned subsidiaries of Majestic State and non-wholly-owned subsidiaries of the Company, with no potential conflict of interests with the Registered Shareholders of Show Times (Chongqing) and Show Times (Chongqing). Setting a maximum aggregate annual cap will not only limit the ability of the Group to operate the business and enjoy the economic benefits generated by Show Times (Chongqing), and the Board considers that it is impractical and unduly burdensome and adds to the additional cost and administrative burden on the Company if such transactions are subject to strict compliance with the requirements set out under Rule 14A.53 of the Listing Rules.

Furthermore, the Directors confirm that it is a normal business practice and in the best interests of the Company and the Shareholders as a whole for the Business Collaboration Agreements to be of duration longer than three years;

- (b) Mr. Mu will not receive any economic benefits from the operation on the part controlled by the Group under the Business Collaboration Agreements;
- (c) based on (a) and (b) above, there are no genuine CCTs while the Business Collaboration Agreements merely constitute a technical CCTs implication owing to a typical VIE structure; and
- (d) the Directors (including the independent non-executive Directors) are of the view that the Business Collaboration Agreements are fundamental to the Group's legal structure and operation of its business in the PRC. Such transactions are entered into in the ordinary and usual course of business of the Group on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board is pleased to announce that the Stock Exchange granted the Waiver on 17 November 2021, for so long as the Shares are listed on the Stock Exchange and subject to the following conditions:

1. No change without independent non-executive Directors' approval

No changes to the terms of any of the Business Collaboration Agreements will be made without the approval of the independent non-executive Directors.

2. No change without independent Shareholders' approval

No change to the terms of any of the Business Collaboration Agreements will be made without the approval of the independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Business Collaboration Agreements in the annual reports of the Company (as set out in paragraph (4) below) will however continue to be applicable.

3. Economic benefits facility

The Business Collaboration Agreements shall continue to enable the Group to receive the economic benefits derived by the Target Group through: (i) the WFOE's right (if and when so allowed under the applicable PRC laws) to acquire part or all of the equity interest in the registered capital or part or all of the assets of Show Times (Chongqing) at the lowest price permitted by PRC law; (ii) the business structure under which the net profits generated by the Target Group are substantially retained by the WFOE (such that no annual caps shall be set on the amount of the services fees payable to the WFOE under the relevant Business Collaboration Agreements); and (iii) the WFOE's right to control the management and operation of, as well as, in substance, all of the voting rights of Show Times (Chongqing).

4. Ongoing reporting and approvals

The Group will disclose details relating to the Business Collaboration Agreements on an ongoing basis as follows:

- (a) The Business Collaboration Agreements in place during each financial period will be disclosed in the Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules.

- (b) The independent non-executive Directors will review the transaction carried out pursuant to the Business Collaboration Agreements annually and confirm in the Company's annual report and accounts for the relevant year that: (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Business Collaboration Agreements, have been operated so that the revenue generated by the Target Group has been substantially retained by the WFOE; and (ii) no dividends or other distributions have been made by Show Times (Chongqing) to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.
- (c) The Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Business Collaboration Agreements and will provide a letter to the Directors with a copy to the Stock Exchange that the transactions carried out pursuant to the Business Collaboration Agreements have received the approval of the Directors, have been entered into in accordance with the relevant Business Collaboration Agreements and that no dividends or other distributions have been made by Show Times (Chongqing) to the holders of its equity interests which are not otherwise subsequently assigned/transferred to the Group.
- (d) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", Show Times (Chongqing) and its subsidiaries will be treated as the Company's wholly owned subsidiaries, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of Show Times (Chongqing) and its subsidiaries and their respective associates will be treated as the Company's "connected persons". As such, transactions between these connected persons and the Group (including for this purpose the Target Group), other than those under the Business Collaboration Agreements, shall comply with Chapter 14A of the Listing Rules.
- (e) Each of Show Times (Chongqing) and its subsidiaries will undertake that, for so long the Shares are listed on the Stock Exchange, it will provide the Group's management and the Company's auditors full access to its relevant records for the purpose of procedures to be carried out by the Company's auditors on the CCTs.

5. Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has direct shareholding, on one hand, and Show Times (Chongqing), on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however, be treated as connected persons of the Company and transactions between these connected persons and the Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

For and on behalf of
AM Group Holdings Limited
Teo Li Lian

Chairlady, Executive Director and Chief Executive Officer

Hong Kong, 17 November 2021

As at the date of this announcement, the Board comprises three Executive Directors, namely Ms. Teo Li Lian (Chairlady and Chief Executive Officer), Mr. Teo Kuo Liang and Mr. Mu Lei; 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.