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MICHONG METAVERSE (CHINA) HOLDINGS GROUP LIMITED
米虫元宇宙(中國)控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8645)

VOLUNTARY ANNOUNCEMENT
WHOLLY-OWNED SUBSIDIARIES OF THE GROUP IN THE PRC
RECEIVED THE ADMINISTRATIVE JUDGMENT FROM YICHUN CITY
YUANZHOU DISTRICT PEOPLE’S COURT OF JIANGXI PROVINCE,
REQUIRING TEMPORARY SUSPENSION OF BANK ACCOUNTS

This announcement is made by Michong Metaverse (China) Holdings Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10(2)(a) of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

The board of directors (the “**Board**”) wishes to announce that the wholly-owned subsidiaries of the Group in the People’s Republic of China (the “**PRC**”), namely Mebugs Technology Information (Shenzhen) Co., Limited* (米虫科技信息(深圳)有限公司) (“**Mebugs Shenzhen**”), and Michong Interconnected Network (Wuhan) Co., Ltd.* (米虫互聯網絡(武漢)有限公司) (“**Michong Wuhan**”) received the Administrative Order from Yichun City Yuanzhou District People’s Court of Jiangxi Province, the PRC (“**Yuanzhou District Court**”) (Order [2023] Gan 0902 Cai Bao No. 77) (the “**Administrative Order**”) on 21 August 2023, claiming that Yichun City Yuanzhou District Administration for Market Regulation of Jiangxi Province (“**Yuanzhou District AMR**”), as the applicant, believes that Mebugs Shenzhen, Michong Wuhan and other 10 legal entities unrelated with the Group distributed respectively in Guangdong Province, Hubei Province, Hunan Province, Tianjin City, Anhui Province and Fujian Province “are suspected of pyramid schemes in operation”, and applies to Yuanzhou District Court for property preservation, requiring temporary seizure and freezing of the bank deposits or other equivalent properties under the name of Mebugs Shenzhen and Michong Wuhan in the amount of RMB8,000,000 (equivalent to approximately HK\$8,736,500) and RMB36,170,000 (equivalent to approximately HK\$39,499,800), respectively. Upon verification by the Company, the bank deposits under the name of Mebugs Shenzhen and Michong Wuhan are seized

and frozen by Yuanzhou District Court in the amount of RMB8,000,000 (equivalent to approximately HK\$8,736,500) and RMB92,300 (equivalent to approximately HK\$100,800), respectively (“**Temporary Suspension of Bank Accounts**”).

After receiving the said Administrative Order and suspending the bank accounts upon verification, Mebugs Shenzhen and Michong Wuhan immediately engaged Hubei Fuxi Law Firm* (湖北省賦兮律師事務所) as the PRC legal adviser of the Group (the “**PRC Legal Adviser**”). Upon communication with Yuanzhou District AMR and Yuanzhou District Court, our PRC Legal Adviser advises that Michong Wuhan is suspected of pyramid scheme when it was selling e-commerce platform membership cards online within the PRC from January 2022 to June 2022, and currently Yuanzhou District AMR requires the court to involve only the issuance of pre-litigation property preservation order in temporary seizure and freezing of bank accounts, for further administrative investigation, without imposing any administrative punishment.

As advised by the PRC Legal Adviser, the *Regulations on the Prohibition of Pyramid Schemes* (the Order No. 444 of the State Council of the PRC) prohibits the following behaviors (inter alia): (i) by solicitation, requiring the solicited members to solicit other persons to join, calculating and paying remuneration to the solicited members according to the number of persons directly or indirectly solicited by them on a rolling basis; (ii) by solicitation, the organizer or operator requiring the solicited members to pay membership dues or purchase goods or otherwise in lieu of dues payment, in order to be qualified for joining or soliciting other persons, and gaining illegal profits; and (iii) by solicitation, the organizer or operator requiring the solicited members to solicit other persons to join, forming a downline-upline relationship, to calculate and pay the upline remuneration according to the downline sales results, and gain illegal profits.

Pyramid scheme is featured by: (i) payment or disguised payment of entrance fee, that is, payment for the “qualification” to obtain remuneration and solicit downline members; (ii) direct or indirect solicitation of downline members, that is, soliciting other persons to join, and form the hierarchy in a certain sequence; and (iii) upline members obtaining remuneration calculated from the sales results of downline members solicited directly or indirectly, or obtaining remuneration or rebates according to the number of persons solicited directly or indirectly.

Accordingly, the business model of Michong Wuhan in selling e-commerce membership cards has no feature of pyramid scheme, as (i) there is no payment or disguised payment of entrance fee. A client may become a member once registered with the platform free of charge, to enjoy discounts in shopping and get rewards in recommending new clients. A free member may pay the membership fee to become a paid member, for more discounts and benefits. The membership fee of paid member is different in nature with the entrance fee, for example, the setup of paid membership is to make consumers with different demands enjoy more personified services, which is a normal commercializing model, instead of requiring old members to solicit new members constantly for more entrance fees; (ii) there is no direct or indirect solicitation of downline members, and there is no hierarchy. Old clients recommend new clients to register and become members. Both old and new clients are consumers of the platform, without hierarchical relationship. If a new client recommends other clients to register as platform member, the old client will not gain any benefit from it; and (iii) there is neither calculation and payment of

remuneration from the sales results of downline members directly or indirectly solicited by the online member, nor calculation and payment of remuneration according to the number of downline members directly or indirectly solicited.

Based on the legal analysis opinions issued by the PRC Legal Adviser, the e-commerce membership card sales business of Michong Wuhan from January 2022 to June 2022 is in all major respects compliant with all relevant laws and regulations in the PRC, and shall not be deemed as a pyramid scheme as it does not fall into the prohibited category under the *Regulations on the Prohibition of Pyramid Schemes*.

In addition, Michong Wuhan, the subsidiary of the Group which is mainly engaged in e-commerce business, is located in East Lake High-tech Development Zone, Wuhan City, Hubei Province. According to the opinions of the PRC Legal Adviser, since Michong Wuhan is an online platform operator and if it is suspected of violating the law by selling goods or providing services through online services, it should be under the jurisdiction of East Lake Hi-tech Development Zone Administration for Market Regulation, or under the direct jurisdiction of its superior authority or under the jurisdiction of another authority inferior to and appointed by said authority.

In response to the order of temporary suspension of bank cards from Yuanzhou District Court, the PRC Legal Adviser has taken rapid actions to safeguard the lawful rights and interests of the Company, and applied to the court for reconsideration. In response to the investigation of Yuanzhou District AMR, the PRC Legal Adviser has lodged representations against the lack of legal jurisdiction in accordance with legal procedures, and has appealed to its superior authority for fair treatment.

To the best knowledge of the Board, such Temporary Suspension of Bank Accounts will not have material adverse effect on the operations of the Group, as (i) the e-commerce membership card sales business of Michong Wuhan, which was claimed by Yuanzhou District AMR to be suspected of pyramid scheme, was fully terminated by 30 June 2022, and currently the Company is not engaged in such business; (ii) the operations of the Group's subsidiaries established in the PRC are not affected by such events; (iii) each wholly-owned subsidiary located in the PRC is able to utilize the remaining cash on hand and the operating cash inflow to pay the costs incurred in ordinary business to maintain the normal operations in the PRC; and (iv) the Company has taken appropriate controls and measures to prevent the occurrence of similar events, such as maintaining continuous communication and reporting with local administrations for market regulation in Wuhan to enable the Wuhan Hi-tech Development Zone Administration for Market Regulation to supervise the operations of the Company, and ensure that our operations comply with relevant rules and regulations in all respects.

The PRC Legal Adviser and the Company are in the process of developing further actions regarding the contents of the Administrative Order and the release of the Temporary Suspension of Bank Accounts and are continuing to assess the impact of these events on the Group, including operational risks and potential compensation. Further details will be disclosed in the Company's announcement.

Shareholders and potential investors of the Company are advised to exercise caution when dealing the securities of the Company.

* *For identification purposes only*

By Order of the Board
Michong Metaverse (China) Holdings Group Limited
Yu Decai
Executive Director, Chairman and Chief Executive Officer

Hong Kong, 25 August 2023

As at the date of this announcement, the Board comprises Mr. Yu Decai and Mr. Hu Mingdai as Executive Directors; and Dr. Tsoi Chi Chuen Cheney, Mr. Ng Der Sian and Ms. Zheng Li Ping as Independent Non-executive Directors.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the Stock Exchange website at www.hkexnews.hk on the “Latest Listed Company Information” page for at least seven days from the date of its publication. This announcement will also be published on the Company’s website at www.metamichong.com.