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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)

PROFIT WARNING ANNOUNCEMENT

This announcement is made by Michong Metaverse (China) Holdings Group Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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 (Cap. 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company and potential investors that based on a preliminary assessment by the Board with reference to the unaudited management accounts of the Group for the six months ended 31 December 2023 and the information currently available to the Board, the Group expects to record a net loss of approximately HK\$11,019,000 for the six months ended 31 December 2023 as compared to the net profit of approximately HK\$17,397,000 for the six months ended 31 December 2022.

Based on the information currently available, the Board considers the expected net loss for the six months ended 31 December 2023 is mainly attributable to the following reasons:

- (i) A decrease in the revenue from approximately HK\$66,551,000 for the six months ended 31 December 2022 to approximately HK\$50,674,000 for the six months ended 31 December 2023. The decrease was mainly due to aggregate effect of (1) the suspension of paying membership scheme in the electronic commerce (“**E-Commerce**”) business, which the subscription fee dropped to nil for the six months ended 31 December 2023 (*Six months ended 31 December 2022: approximately HK\$31,677,000*); (2) exploration of advertising income in the E-Commerce business, which contributed revenue of approximately HK\$8,091,000 for the six months ended 31 December 2023 (*Six months ended 31 December 2022: Nil*); and (3)

introduction of new business, online game Internet Protocol (IP) authorisation management services during the six months ended 31 December 2023, which contributed revenue of approximately HK\$6,215,000 to the Group;

- (ii) A decrease in gross profit margin from approximately 58.0% for the six months ended 31 December 2022 to approximately 28.7% for the six months ended 31 December 2023;
- (iii) An increase in selling expenses increased from approximately HK\$2,828,000 for the six months ended 31 December 2022 to approximately HK\$5,209,000 for the six months ended 31 December 2023 mainly due to the increase in staff costs for the sales team in the PRC to approximately HK\$4,445,000 for the six months ended 31 December 2023 (*Six months ended 31 December 2022: approximately HK\$1,168,000*) in line with the increase in average headcount of salesperson and selling activities in the PRC; and
- (iv) Share of results of associates amounted to losses of approximately HK\$1,751,000 (*Six months ended 31 December 2022: Nil*).

The Company is still in the process of finalising the interim results of the Group for six months ended 31 December 2023. The information contained in this announcement is only based on a preliminary assessment by the Board with reference to the unaudited management accounts of the Group for the six months ended 31 December 2023 and the information currently available to the Board which may be subject to change and is not based on any figures or information that have been audited or reviewed by the Company's auditors nor reviewed by the audit committee of the Company. The actual financial results of the Group may be different from what is disclosed in this announcement. Details of the Group's financial results will be disclosed as and when the interim results of the Group for the six months ended 31 December 2023 is announced in accordance with the requirements of the GEM Listing Rules.

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

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

Hong Kong, 16 February 2024

As at the date of this announcement, the Board comprises Mr. Yu Decai and Mr. Hu Mingdai as Executive Directors; Ms. Jin Yangyang as Non-executive Director; 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 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.