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**CMGE Technology Group Limited**

**中手游科技集团有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 0302)**

**PLACING OF EXISTING SHARES  
AND TOP-UP SUBSCRIPTION OF NEW SHARES  
UNDER GENERAL MANDATE**

**Placing Agent**



**BNP PARIBAS**

On 24 November 2020 (before trading hours), the Company entered into the Placing Agreement and Subscription Agreement in respect of the Placing and the Subscription, respectively.

Pursuant to the Placing Agreement, the Placing Agent conditionally agreed to act as agent for the Vendor (to the exclusion of all others) to place 180,000,000 existing Shares, on a best effort basis, at the Placing Price of HK\$3.02 per Share. Pursuant to the Subscription Agreement, the Vendor conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Vendor, the same number of new Shares as the Placing Shares at the Placing Price that have been placed by the Placing Agent.

The net proceeds to be received by the Company from the Subscription, after deducting related fees and expenses, are estimated to be approximately HK\$536.78 million.

**As the Placing and the Subscription may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares of the Company.**

On 24 November 2020 (before trading hours), the Company entered into the Placing Agreement and Subscription Agreement in respect of the Placing and the Subscription, respectively.

## **PLACING AGREEMENT**

Date: 24 November 2020 (before trading hours)

Parties (1) the Company;  
(2) the Vendor; and  
(3) the Placing Agent.

As at the date of this announcement, the Vendor holds 693,309,425 Shares, representing approximately 29.75% of the existing issued share capital of the Company. The Vendor is wholly-owned by Motion Game Company Limited, which is in turn wholly-owned by Profound Power Investment Limited and is in turn wholly-owned by Changpei Cayman. The general partner of Changpei Cayman is Ambitious Profit Investment Limited, which is indirectly owned as to 64% by Mr. Xiao's family trust through Zhongshouyou Brothers Limited and 36% by Mr. Sin through Silver Joyce International Limited.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agent is independent of, and not connected with, the Company and its connected persons.

## **PLACING**

### **Number of Placing Shares**

The Placing Agent conditionally agreed to act as agent for the Vendor (to the exclusion of all others) to place 180,000,000 existing Shares, representing approximately 7.72% of the issued share capital of the Company as at the date of this announcement and approximately 7.17% of the issued share capital as enlarged by the Subscription on a best effort basis.

### **Placing Price**

The Placing Price is HK\$3.02 per Share and represents:

- a discount of approximately 9.85% to the closing price of HK\$3.35 per Share as quoted on the Stock Exchange on 23 November 2020, the Last Trading Day; and
- a discount of approximately 9.15% to the average closing price of approximately HK\$3.32 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day.

The Placing Price was determined after arm's length negotiations among the Company, the Vendor and the Placing Agent with reference to the prevailing market price of the Shares and market demand for the Placing Shares.

The Directors consider that the Placing Price is fair and reasonable under the current market conditions and is in the best interests of the Company and the Shareholders as a whole.

### **Rights and Ranking of the Placing Shares**

The Placing Shares will rank *pari passu* in all respects with the Shares in issue on the completion date of the Placing.

The Placing Shares will be sold free from encumbrances, and together with all rights attaching to them as at the date of the Placing Agreement, including the right to receive all dividends declared, made or paid on or after the date of the Placing Agreement.

### **Independence of the Placees**

It is expected that the Placing Shares will be placed by the Placing Agent to not less than six independent professional, institutional and/or individual investors. It is not expected that any placee will become a substantial shareholder of the Company as a result of the Placing.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the placees and their ultimate beneficial owners will be (as the case may be) independent of, and not connected with, and not acting in concert with, the Vendor and the Company and their respective associates and connected persons.

### **Conditions of the Placing**

The obligations of the Placing Agent to proceed to completion of the Placing is conditional upon, among others:

- (a) the Subscription Agreement having been entered into by the Company and the Vendor; and
- (b) the Placing Agreement is not terminated pursuant to the terms therein.

### **Termination of the Placing**

Notwithstanding anything contained in the Placing Agreement, if at any time prior to completion of the Placing on the Closing Date:

- (a) there develops, occurs or comes into force:
  - (i) any new law or regulation or any change or development involving a prospective change in existing laws or regulations in any jurisdiction which in the sole and absolute opinion of the Placing Agent has or is likely to have a material adverse effect on the financial position, business affairs, prospects, profits, losses or the financial or trading position or performance of the Company and/or any other member of the Group; or
  - (ii) any significant event, development or change or prospective change (whether or not permanent or forming part of a series of event, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement) in local, national or international monetary, economic, financial, fiscal, industrial, regulatory, political or military conditions, securities market conditions or currency exchange rates or foreign exchange rates or foreign exchange controls, including without limitation, any outbreak or escalation of hostilities, declaration by Hong

Kong, the PRC, the United Kingdom, the United States, the European Union (or any member thereof) or any other jurisdiction(s) relevant to the Group and/or the Placing of a national emergency or other calamity or crisis, the effect of which in the sole and absolute opinion of the Placing Agent is or would be materially adverse to the Company or the Group or the success of the Placing, or makes it impracticable or inadvisable or inexpedient to proceed therewith; or

- (iii) a change or development involving a prospective change in taxation materially and adversely affecting any member of the Group, the Placing Shares or the transfer thereof; or
  - (iv) a general moratorium on commercial banking activities in Hong Kong, the PRC, London or New York declared by any authorities or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong, the PRC, the United Kingdom, the United States or any other jurisdiction(s) relevant to the Group and/or the Placing;
  - (v) any moratorium, suspension or material restriction on trading in shares or securities generally, or the establishment of minimum prices, on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the London Stock Exchange, the New York Stock Exchange or Nasdaq; or
  - (vi) any suspension of dealings in or any trading halt of the Shares for any period whatsoever; or
  - (vii) the commencement by any regulatory or political body or organisation of any action against the Vendor or the Group or any director of the Company or the Vendor, or an announcement by any regulatory or political body or organisation that it intends to take any such action, the effect of which in the sole and absolute opinion of the Placing Agent is or would be materially adverse to the success of the Placing, or makes it impracticable or inadvisable or inexpedient to proceed therewith; or
- (b) any breach of any of the representations, warranties and undertakings by any of the Vendor or the Company set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Closing Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations, warranties and undertakings, untrue, incorrect or misleading in any respect or (in the sole judgment of the Placing Agent) is or would likely have a material adverse effect on the financial position or business of the Company and/or any other member of the Group or is or would likely have a material adverse effect on the success of the Placing, or there has been a breach of, or failure to perform, any other provision of the Placing Agreement on the part of the Vendor or the Company; or
- (c) any change or any development involving a prospective change in the general affairs, condition, results of operations or prospects, earnings, business, properties, management, stockholders' equity or in the financial or trading position of the Company and/or any other member of the Group which in the sole and absolute opinion of the Placing Agent is materially adverse to the success of the Placing or otherwise as to make it impracticable, inadvisable or inexpedient to proceed with the Placing,

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Vendor by giving notice in writing to the Vendor, which notice may be given at any time prior to completion of the Placing on the Closing Date.

In the event that the Placing Agent terminates the Placing Agreement in accordance with its terms, the obligations of parties under the Placing Agreement will cease and determine and no party will have any claim against any other party save for any antecedent breach.

### **Completion of the Placing**

The parties expect that the Placing will be completed on the Closing Date.

### **SUBSCRIPTION AGREEMENT**

Date: 24 November 2020 (before trading hours)

Parties (1) the Company; and  
(2) the Vendor.

### **Number of new Shares to be subscribed**

The number of the Subscription Shares is equivalent to the number of the Placing Shares, which have been placed by the Placing Agent. The maximum number of 180,000,000 Subscription Shares, represents approximately 7.72% of the issued share capital of the Company as at the date of this announcement and approximately 7.17% of the issued share capital of the Company as enlarged by the Subscription.

### **Subscription Price**

The Subscription Price is equivalent to the Placing Price of HK\$3.02. The Subscription Shares have an aggregate nominal value of US\$18,000, and a market value of HK\$603 million, based on the closing price of HK\$3.35 per Share on the Last Trading Day. The net price per Subscription Share is HK\$2.98.

The Subscription Price, being equal to the Placing Price, was determined after arm's length negotiations between the Company and the Vendor with reference to the Placing Price.

The Directors consider that the terms of the Subscription are fair and reasonable under the current market conditions and are in the interest of the Company and the Shareholders as a whole.

### **General mandate to issue the Subscription Shares**

The Subscription Shares will be allotted and issued under the General Mandate granted to the Directors at the 2020 AGM. Under the General Mandate, a maximum of 466,030,000 new Shares may be allotted and issued by the Company. Up to the date of this announcement, the Company has not issued any Shares pursuant to the General Mandate. Accordingly, the allotment and issue of the Subscription Shares is not subject to the approval of the Shareholders.

### **Ranking of the Subscription Shares**

The Subscription Shares, when fully paid, will rank *pari passu* in all respects with the Shares in issue on the completion date of the Subscription including the right to any dividends or distributions after the date of completion of the Subscription.

## **Conditions of the Subscription**

The Subscription is conditional upon:

- (1) completion of the Placing;
- (2) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subscription Shares; and
- (3) the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any delegate of the Executive Director) or the Takeovers and Mergers Panel granting a waiver to Mr. Xiao and Mr. Sin, and other parties acting in concert with them, of any obligation, as a result of the Subscription, to make a general offer under Rule 26 of the Takeovers Code for all of the issued Shares other than those already owned by them.

None of the conditions stated above can be waived.

In the event that the conditions are not fulfilled within 14 days after the date of the Placing Agreement and the Subscription Agreement (or such later date as may be agreed among the parties), the obligations and liabilities of the Vendor and the Company under the Subscription Agreement shall be null and void and neither the Company nor the Vendor shall have any claim against the other for costs, damages, compensation or otherwise, except for, among others, any antecedent breach of any obligation under the Subscription Agreement.

## **Completion of the Subscription**

Completion of the Subscription will take place on the second Business Day (or such other time and/or date as the Vendor, the Company and the Placing Agent may agree in writing) after the date upon fulfillment of the last of the above conditions.

As the Vendor (a controlling Shareholder) is a connected person of the Company and the Subscription constitutes a connected transaction of the Company exempt under Rule 14A.92(4) of the Listing Rules, if the Subscription is not completed within 14 days after the date of the Placing Agreement and the Subscription Agreement, i.e. 24 November 2020, the relevant provisions of the Listing Rules in relation to connected transaction will apply (including the independent Shareholders' approval requirement) to the Subscription, unless otherwise waived by the Stock Exchange. An appropriate announcement will be made by the Company in compliance with the Listing Rules, if required and necessary.

## **Application for listing**

An application will be made by the Company to the Stock Exchange for the granting of the listing of, and permission to deal in, the Subscription Shares.

## **LOCK-UP UNDERTAKINGS**

The Company undertakes to the Placing Agent, and the Vendor undertakes to the Placing Agent to procure that, for the period commencing from the date of the Placing Agreement up to and including the 90th day from the Closing Date, except for:

- (A) the new Shares to be allotted and issued to the Vendor under the Subscription Agreement;

- (B) any new Shares or options to be issued and/or granted pursuant to the existing or previous employee share option schemes and restricted share unit schemes of the Company publicly announced by the Company;
- (C) any Shares or other securities or rights issued or granted to shareholders by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Company's articles of association on the exercise of rights existing at the date of the Placing Agreement; or
- (D) any new Shares issued pursuant to any conversion of existing outstanding convertible bonds issued by the Company prior to the Placing Agreement (if any),

the Company will not (i) allot or issue or grant or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares; or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transaction described in this paragraph (i) above; or (iii) announce any intention to enter into or effect any such transaction described in this paragraph (i) or (ii) above, unless with the prior written consent of the Placing Agent.

## EFFECT ON THE SHAREHOLDING STRUCTURE

Assuming there is no change to the issued share capital of the Company from the date of this announcement to the date of completion of the Placing and the Subscription, the shareholding structure of the Company before and after completion of the Placing and the Subscription is summarised as follows:

	As at the date of this Announcement		After completion of Placing but before completion of Subscription		After completion of Placing and Subscription	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Vendor <sup>(1)</sup>	693,309,425	29.75%	513,309,425	22.03%	693,309,425	27.62%
Zhongshouyou Brothers Limited <sup>(2)</sup>	144,998,766	6.22%	144,998,766	6.22%	144,998,766	5.78%
Silver Joyce International Limited <sup>(3)</sup>	108,630,238	4.66%	108,630,238	4.66%	108,630,238	4.33%
Pegasus Network HK Limited <sup>(4)</sup>	293,327,517	12.59%	293,327,517	12.59%	293,327,517	11.69%
Yichong Technology HK Limited <sup>(5)</sup>	76,133,590	3.27%	76,133,590	3.26%	76,133,590	3.03%
Placees	—	—	180,000,000	7.72%	180,000,000	7.17%
Other Public Shareholders	1,013,750,464	43.51%	1,013,750,464	43.51%	1,013,750,464	40.39%
<b>Total issued share capital</b>	<b>2,330,150,000</b>	<b>100%</b>	<b>2,330,150,000</b>	<b>100%</b>	<b>2,510,150,000</b>	<b>100%</b>

Notes:

- (1) The Vendor is wholly-owned by Motion Game Company Limited, which is in turn wholly-owned by Profound Power Investment Limited and is in turn wholly-owned by Changpei Cayman. The general partner of Changpei Cayman is Ambitious Profit Investment Limited, which is indirectly owned as to 64% by Mr. Xiao's family trust through Zhongshouyou Brothers Limited and 36% by Mr. Sin through Silver Joyce International Limited.
- (2) Mr. Xiao, through Victory Aspire Group Limited, a company wholly-owned by Antopex Limited, which is nominated by CMB Wing Lung (Trustee) Limited (the trustee of the ZSY Trust, a discretionary trust set up by Mr. Xiao), was deemed to be interested in 144,998,766 Shares directly held by his wholly-owned company, Zhongshouyou Brothers Limited.

- (3) Mr. Sin, through Silver Joyce International Limited, was deemed to be interested in 108,630,238 Shares directly held by his wholly-owned company, Silver Joyce International Limited.
- (4) Pegasus Network HK Limited is wholly-owned by Pegasus Technology Limited, which is in turn wholly-owned by Shanghai Pegasus Technology Development Limited, and is in turn owned as to 99.6% by Shanghai Pegasus Investment Centre (Limited Partnership), the general partner of which is Dazi Dingcheng Capital Investment Co., Ltd., which is wholly-owned by Beijing Zhongrong Dingxin Investment Management Co., Ltd., and is in turn wholly-owned by Zhongrong International Trust Co., Ltd..
- (5) Yichong Technology HK Limited is wholly-owned by Yichong Technology Limited, which is in turn wholly-owned by Shanghai Yichong Technology Development Limited, and is in turn owned as to 99.6% by Shanghai Yichong Investment Centre (Limited Partnership), the general partner of which is Dazi Dingcheng Capital Investment Co., Ltd., which is wholly-owned by Beijing Zhongrong Dingxin Investment Management Co., Ltd., and is in turn wholly-owned by Zhongrong International Trust Co., Ltd..

## **USE OF PROCEEDS AND REASONS FOR THE PLACING AND SUBSCRIPTION**

The net proceeds to be received by the Company from the Subscription, after deducting related fees and expenses, are estimated to be approximately HK\$536.78 million.

The Group is a leading IP-based game operator and publisher, focusing primarily on IPs relating to well-known cultural products and art works. The Company intends to apply the net proceeds from the Subscription to further enhance its IP-based game publishing and development business through acquisitions and/or investments in 1) leading game developers with good research and development capabilities and 2) strong IP rights relating to popular and promising animations, literature, game and motion pictures, in Greater China. As at the date of this announcement, no specific acquisition or investment target has been identified by the Company in respect of the application of the net proceeds.

The Directors consider that the Placing and the Subscription represent an opportunity to raise capital for the Company while broadening its Shareholder and capital base. The Directors are of the view that the Placing and the Subscription would strengthen the financial position of the Group and provide working capital to the Group. The Directors consider that the terms of the Placing Agreement and the Subscription Agreement (including the Placing Price and the Subscription Price) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The Directors confirm that, immediately after completion of the Placing and the Subscription, the public float of the Company will be no less than 25% of the Company's issued share capital as enlarged by the Subscription (assuming there is no change in the issued share capital of the Company from the date of this announcement to the date of completion of the Subscription save for the issue of the Subscription Shares).

The Directors are further of the view that the lock up period for the Company as set out above is fair and reasonable on the grounds that: (i) the lock up period is only for 90 days which is in line with the market practice and as a result of the arm's length commercial negotiation between the Company, the Vendor and the Placing Agent; and (ii) it can ensure an orderly market of the Shares.

**As the Placing and the Subscription may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares of the Company.**



## **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not undertaken any equity fund raising exercise over the period of twelve months prior to the date of this announcement.

## **DISPENSATION FROM RULE 26 OF THE TAKEOVERS CODE**

As a result of the Placing, the aggregate shareholding of Mr. Xiao, through Zhongshouyou Brothers Limited, the Vendor and the restricted share units granted to Mr. Xiao, will be reduced from 36.55% as at the date of this announcement to 28.82%, and the aggregate shareholding of Mr. Sin, through Silver Joyce International Limited, the Vendor and the restricted share units granted to Mr. Sin, will be reduced from 35.06% as at the date of this announcement to 27.34%. As a result of the Subscription, the aggregate shareholding of Mr. Xiao, through Zhongshouyou Brothers Limited, the Vendor and the restricted share units granted to Mr. Xiao, will be increased from 28.82% to 33.93%, and the aggregate shareholding of Mr. Sin, through Silver Joyce International Limited, the Vendor and the restricted share units granted to Mr. Sin, will be increased from 27.34% to 32.55%.

An application will be made to the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any delegate of the Executive Director) or the Takeovers and Mergers Panel granting a waiver to Mr. Xiao and Mr. Sin, and other parties acting in concert with them, of any obligation, as a result of the Subscription, to make a general offer under Rule 26 of the Takeovers Code for all of the issued Shares other than those already owned by them. As stated above, completion of the Subscription will be subject to the granting of the aforesaid waiver and none of the conditions for the Subscription can be waived by the parties to the Agreement.

## **DEFINITIONS**

In this announcement, the following expressions have the following meanings unless the context otherwise requires:

“2020 AGM”	the annual general meeting of the Company held on 29 May 2020;
“Board”	the board of Directors;
“Business Day”	any day (excluding a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong;
“Changpei Cayman”	Changpei Investment Centre, L.P., an exempted limited partnership registered in the Cayman Islands and a controlling shareholder (as defined in the Listing Rules);
“Closing Date”	26 November 2020 or such other date as the Vendor and the Placing Agent may agree in writing;
“Company”	CMGE Technology Group Limited (中手游科技集团有限公司), an exempted company incorporated in the Cayman Islands with limited liability and whose ordinary shares are listed on the Main Board of the Stock Exchange (stock code: 0302);
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules;

“Directors”	the directors of the Company;
“General Mandate”	the general authority granted to the Directors to issue up to 466,030,000 Shares, representing 20% of the total number of Shares in issue as at date of the 2020 AGM pursuant to an ordinary resolution passed at the 2020 AGM;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“IP(s)”	intellectual property rights relating to cultural products or art works, such as icons or characters from popular animations, novels, and motion pictures, which have a significant fan base, market acceptance and commercial value;
“Last Trading Date”	23 November 2020, being the last full trading day prior to the date of the Placing Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Sin”	Mr. Sin Hendrick, an Executive Director, vice chairman of the Board and a controlling shareholder (as defined in the Listing Rules);
“Mr. Xiao”	Mr. Xiao Jian, an Executive Director, chairman of the Board and a controlling shareholder (as defined in the Listing Rules);
“Placing”	the placing of the Placing Shares by the Placing Agent to placees at the Placing Price pursuant to the Placing Agreement;
“Placing Agent”	BNP Paribas Securities (Asia) Limited;
“Placing Agreement”	the agreement dated 24 November 2020 entered into among the Company, the Vendor and the Placing Agent in relation to the Placing;
“Placing Price”	HK\$3.02 per Placing Share (exclusive of all brokerage, Hong Kong stamp duty, transaction levies of the SFC and trading fees of the Stock Exchange);
“Placing Shares”	up to 180,000,000 Shares currently owned by the Vendor and to be placed by the Placing Agent pursuant to the Placing Agreement;
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement
“Securities Act”	the U.S. Securities Act of 1933, as amended;
“Shares”	ordinary shares of the Company;

“Shareholders”	holders of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription of the Subscription Shares by the Vendor pursuant to the Subscription Agreement;
“Subscription Agreement”	the agreement dated 24 November 2020 entered into among the Company and the Vendor in relation to the Subscription;
“Subscription Price”	HK\$3.02 per Subscription Share;
“Subscription Shares”	up to 180,000,000 Shares to be subscribed by the Vendor pursuant to the Subscription;
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs of Hong Kong;
“Vendor”	Fairview Ridge Investment Limited, a company incorporated in the British Virgin Islands, a controlling shareholder (as defined in the Listing Rules) and the vendor of the Placing Shares; and
“%”	per cent.

By Order of the Board  
**CMGE Technology Group Limited**  
**Xiao Jian**  
*Chairman*

Hong Kong, 24 November 2020

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Xiao Jian and Mr. Sin Hendrick as executive Directors; Mr. Tang Yanwen as non-executive Director; and Ms. Ng Yi Kum, Mr. Tang Liang and Mr. Ho Orlando Yaukai as independent non-executive Directors.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*