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SINO-ENTERTAINMENT TECHNOLOGY HOLDINGS LIMITED

新娛科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6933)

CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

Reference is made to (i) the section headed “Future Plans and Use of Proceeds” in the prospectus issued by Sino-Entertainment Technology Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 June 2020 (the “**Prospectus**”) in relation to the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited; and (ii) the section headed “Management Discussion and Analysis — Use of Proceeds” in the annual report of the Company for the year ended 31 December 2020 (the “**Annual Report**”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus and the Annual Report.

CHANGE IN USE OF PROCEEDS

As disclosed in the Annual Report, net proceeds from the Listing (the “**Net Proceeds**”) of approximately HK\$90.7 million will be utilised by the Group in accordance with the planned use of proceeds set out in the Prospectus. As at the date of this announcement, the unutilised amount of Net Proceeds amounted to approximately HK\$43.9 million (the “**Unutilised Net Proceeds**”). The Board has resolved to change the use of the Unutilised Net Proceeds as follows:

	Intended utilisation of Net Proceeds as disclosed in the Prospectus and Annual Report		Utilised Net Proceeds up to the date of this announcement	Unutilised Net Proceeds as at the date of this announcement	Proposed application of the Unutilised Net Proceeds
	HK\$'000	%	HK\$'000	HK\$'000	HK\$'000
Enhance the game development capabilities and expand the game portfolio of the Group					
— acquire game developers in the PRC	11,300	12.5	—	11,300	—
— acquire viable IP licences from third parties	10,200	11.3	10,200	—	—
— recruit talents to expand in-house development capacity	2,300	2.5	2,271	29	—
— setting up new offices and acquisition of equipment and facilities to accommodate the expanded in-house development team	700	0.7	700	—	—
— engage third party subcontractors for the provision of artistic solutions and music production services	5,500	6.1	5,500	—	11,329

	Intended utilisation of Net Proceeds as disclosed in the Prospectus and Annual Report		Utilised Net Proceeds up to the date of this announcement	Unutilised Net Proceeds as at the date of this announcement	Proposed application of the Unutilised Net Proceeds
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Strengthen the publishing capabilities of the Group					
— acquire game publishers in the PRC	11,300	12.5	—	11,300	—
— down payment to up-stream game publishers or developers for co-publishing of third party games	7,900	8.7	7,900	—	32,529
— publishing-related costs for third party games for co-publishing of third party games	5,700	6.3	5,700	—	—
— publishing related costs to publish self-developed games for co-publishing of self-developed games	10,200	11.2	10,200	—	—
— lease extra cloud server spaces	3,300	3.6	971	2,329	—
— promote the Group's brand and games in the PRC	3,400	3.8	3,400	—	—
Establish an integrated game distribution platform					
— recruit employees	3,100	3.4	—	3,100	—
— promote the integrated game distribution platform and games in the PRC	8,500	9.4	—	8,500	—
— lease extra cloud server spaces and acquire equipment	800	0.9	—	800	—

	Intended utilisation of Net Proceeds as disclosed in the Prospectus and Annual Report		Utilised Net Proceeds up to the date of this announcement	Unutilised Net Proceeds as at the date of this announcement	Proposed application of the Unutilised Net Proceeds
	HK\$'000	%	HK\$'000	HK\$'000	HK\$'000
Expand the geographic coverage of the Group and build international user base					
— recruit employees	3,300	3.6	—	3,300	—
— set up new offices and acquire office equipment	700	0.7	—	700	—
— adopt online and offline marketing strategies to promote in other Asian markets	2,500	2.8	—	2,500	—
Total	90,700	100	46,842	43,858	43,858

The Unutilised Net Proceeds are expected to be fully utilised in the year ending 31 December 2021.

Save for the aforesaid changes, there is no other change in use of the Net Proceeds.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

Due to (i) the protraction of the pre-approval process from the National Press and Publication Administration in China (the “NPPA”) for mobile games in the industry and the uncertainty in the actual and the estimated time needed for the approval and issue of game publication number from the NPPA for mobile games; and (ii) the fast-changing marketing trend and hot topics among the game players which in turn lead to the shortening of the average lifecycle of mobile games in the industry, the Board has resolved to change the use of the Net Proceeds by applying an increased proportion of the Unutilised Net Proceeds in engaging third party subcontractors for the provision of artistic solutions and music production services in the course of development of the Group’s self-developed games in order to strengthen the efficiency in the game development and production sector of the Group. The Board considers that by engaging third party subcontractors for artistic solutions and music production, (i) the game production cycle of the self-developed games can be optimised by reducing the time and staff cost for the Group’s staff to produce the artistic solutions and music for the games; and (ii) the creative element of the self-developed games can be enhanced with the utilisation of the marketing research ability of the third party subcontractors in the development of the games. The Board is of the view that with the more efficient and creative game production process and cycle, the Group will be able to develop self-developed games in a faster rate and with a better quality to cope with the prolonged pre-approval time from the NPPA and the shortened average lifecycle of mobile games in the industry.

The Board has also resolved to increase the proportion of the Unutilised Net Proceeds applied in paying the down payment to up-stream game publishers or developers in the course of co-publishing of third party games. As the launching and publishing of the Group’s self-developed games are subject to the prolonged pre-approval process from the NPPA, the launching of certain self-developed games of the Group has been delayed, causing a reduction in the revenue generated from such games. To mitigate the impact of such reduction, the Group targets to strengthen the third party games publishing. By increasing the budget for down payment to up-stream game publishers or developers, the Group will be able to secure the publishing rights for quality third party games from them with game publication number issued by the NPPA which are ready to launch. In view of the highly competitive mobile game publishing market, with a larger sum of down payment, the Group will be able to compete with other mobile games co-publishers for securing the mobile game publishing rights with better game quality and longer lifecycle developed by the reputable upstream game publishers or developers.

The change in use of the Net Proceeds is prudently proposed by the Board based on the current situation and the prospect of the industry. The Directors confirm that there is no material change in the nature of business of the Group as set out in the Prospectus. The Board is of the view that the reallocation of the Unutilised Net Proceeds is fair and reasonable, in line with the business strategy and will not adversely affect the operation and business of the Group and is in the best interest of the Company and the Shareholders as a whole.

The Board will continuously assess the plan for the use of the Unutilised Net Proceeds and may revise or amend such plan where necessary to cope with the changing market conditions and strive for better business performance of the Group.

By order of the Board
Sino-Entertainment Technology Holdings Limited
Sui Jiaheng
Chairman and Executive Director

Hong Kong, 16 July 2021

As of the date of this announcement, the executive Directors are Mr. Sui Jiaheng and Mr. Li Tao, the non-executive Directors are Mr. Huang Zhigang and Mr. He Shaoning and the independent non-executive Directors are Ms. Zhang Chunmei, Mr. Deng Chunhua and Ms. Chen Nan.