



Michong Metaverse (China) Holdings Group Limited

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 8645

2023/2024

First Quarterly Report

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*This report, for which the directors (the “**Directors**”) of Michong Metaverse (China) Holdings Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively referred to as the “**Group**”). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Decai (*Chairman and
Chief Executive officer*)
Mr. Hu Mingdai

Independent Non-executive Directors

Dr. Tsoi Chi Chuen Cheney
(*Appointed on 20 July 2023*)
Mr. Ng Der Sian
Ms. Zheng Li Ping
Mr. Chen Youchun
(*Resigned on 20 July 2023*)

AUDIT COMMITTEE

Mr. Ng Der Sian (*Chairman*)
Dr. Tsoi Chi Chuen Cheney
(*Appointed on 20 July 2023*)
Ms. Zheng Li Ping
Mr. Chen Youchun
(*Resigned on 20 July 2023*)

NOMINATION COMMITTEE

Ms. Zheng Li Ping (*Chairman*)
Mr. Ng Der Sian
Mr. Yu Decai

REMUNERATION COMMITTEE

Dr. Tsoi Chi Chuen Cheney (*Chairman*)
(*Appointed on 20 July 2023*)
Mr. Ng Der Sian
Mr. Yu Decai
Mr. Chen Youchun (*Chairman*)
(*Resigned on 20 July 2023*)

COMPANY SECRETARY

Ms. Wong Po Lam (CPA)

AUTHORISED REPRESENTATIVES

Ms. Wong Po Lam (CPA)
Mr. Yu Decai

COMPLIANCE OFFICER

Mr. Yu Decai

AUDITOR

Mazars CPA Limited
Certified Public Accountants
42/F, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Windward 3, Regatta Office Park
PO Box 1350, Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1910, 19/F, C C Wu Building
302-308 Hennessy Road,
Wan Chai,
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

No.25, 25-1 & 25-3, Jalan MH 3
Taman Muzaffar Heights
75450 Ayer Keroh
Melaka, Malaysia

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

Room 310-313, Building 7
WISCO High-tech Industrial Parks
No. 5 Maodian Shanzhong Road
East Lake High-tech Development Zone
Wuhan, the PRC

PRINCIPAL BANKERS

Malayan Bank Berhad
14th Floor, Menara Maybank
100 Jalan Tun Perak, 50050
Kuala Lumpur, Malaysia

Shanghai Pudong Development Bank
Co., Ltd.
Wuhan Optics Valley Science and
Technology Innovation Branch
1st Floor, B-1, Phase 2,
Modern International Design City
No. 41 Guanggu Avenue
East Lake High-tech Zone
Wuhan, the PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350, Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

STOCK CODE

8645

WEBSITE OF THE COMPANY

www.metamichong.com

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- The Group's revenue for the three months ended 30 September 2023 amounted to approximately HK\$25,049,000, representing a decrease of approximately HK\$8,776,000 or 25.9% as compared with that of the corresponding period in the prior year.
- Gross profit for the three months ended 30 September 2023 decreased by approximately HK\$10,279,000 or 48.9% to approximately HK\$10,754,000.
- Loss per share of the Company for the three months ended 30 September 2023 was approximately HK\$0.39 cents (*Three months ended 30 September 2022: earnings per share of approximately HK\$1.51 cents*).
- The Directors do not recommend the payment of any dividend for the three months ended 30 September 2023 (*Three months ended 30 September 2022: Nil*).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Three months ended 30 September | |
|--|---|------------------------------------|---------------------------------|
| Notes | | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| Revenue | 4 | 25,049 | 33,825 |
| Cost of sales and services | | (14,295) | (12,792) |
| Gross profit | | 10,754 | 21,033 |
| Other income | 5 | 240 | 132 |
| Other gain and losses, net | 6 | 114 | 78 |
| Selling expenses | | (2,821) | (2,273) |
| Administrative and other operating expenses | | (10,524) | (9,095) |
| Finance costs | 7 | (113) | (155) |
| Share of results of associates | | (301) | – |
| (Loss) Profit before tax | 7 | (2,651) | 9,720 |
| Income tax credit | 8 | 298 | 275 |
| (Loss) Profit for the period | | (2,353) | 9,995 |
| Other comprehensive expenses for the period | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange difference arising on translation of foreign operations | | (351) | (1,674) |
| Total comprehensive (expenses) income for the period | | (2,704) | 8,321 |
| (Loss) Profit for the period attributable to: | | | |
| Equity holders of the Company | | (2,333) | 9,082 |
| Non-controlling interests | | (20) | 913 |
| | | (2,353) | 9,995 |
| Total comprehensive (expenses) income attributable to: | | | |
| Equity holders of the Company | | (2,682) | 7,449 |
| Non-controlling interests | | (22) | 872 |
| | | (2,704) | 8,321 |
| (Loss) Earnings per share for (loss) profit attributable to equity holders of the Company | | | |
| Basic and diluted | 9 | (0.39) cents | 1.51 cents |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 September 2023

| | Attributable to equity holders of the Company | | | | | | | | |
|---|---|------------------------------|-------------------------------|----------------------------------|--|--|-------------------|--|-----------------------------|
| | Reserves | | | | | | Total HK\$'000 | Non- controlling interests HK\$'000 | Total equity HK\$'000 |
| | Share capital HK\$'000 | Share premium HK\$'000 | Merger reserve HK\$'000 | Statutory reserve HK\$'000 | Foreign exchange reserve HK\$'000 | Accumulated (losses) profits HK\$'000 | | | |
| At 1 July 2022 (audited) (restated) | 6,000 | 89,085 | (31,712) | - | (4,627) | (3,080) | 55,666 | 243 | 55,909 |
| Profit for the period | - | - | - | - | - | 9,082 | 9,082 | 913 | 9,995 |
| Other comprehensive expenses for the period: | | | | | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | | | | | |
| Exchange difference arising on translation of foreign operations | - | - | - | - | (1,633) | - | (1,633) | (41) | (1,674) |
| Total comprehensive income for the period | - | - | - | - | (1,633) | 9,082 | 7,449 | 872 | 8,321 |
| At 30 September 2022 (unaudited) | 6,000 | 89,085 | (31,712) | - | (6,260) | 6,002 | 63,115 | 1,115 | 64,230 |
| At 1 July 2023 (audited) | 6,000 | 89,085 | (31,712) | 3,441 | (6,527) | 13,629 | 73,916 | 357 | 74,273 |
| Loss for the period | - | - | - | - | - | (2,333) | (2,333) | (20) | (2,353) |
| Other comprehensive expenses for the period: | | | | | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | | | | | |
| Exchange difference arising on translation of foreign operations | - | - | - | - | (349) | - | (349) | (2) | (351) |
| Total comprehensive expenses for the period | - | - | - | - | (349) | (2,333) | (2,682) | (22) | (2,704) |
| Transactions with owner | | | | | | | | | |
| <i>Contributions and distributions</i> | | | | | | | | | |
| Transfer to statutory reserve | - | - | - | 188 | - | (188) | - | - | - |
| Total transaction with owners | - | - | - | 188 | - | (188) | - | - | - |
| At 30 September 2023 (unaudited) | 6,000 | 89,085 | (31,712) | 3,629 | (6,876) | 11,108 | 71,234 | 335 | 71,569 |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 September 2023

1. GENERAL INFORMATION

Michong Metaverse (China) Holdings Group Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands on 5 June 2018, and its shares were listed on GEM of the Stock Exchange on 9 December 2019 (the “**Listing**”).

The Company is an investment holding company. The Company together with its subsidiaries (hereinafter collectively referred to as the “**Group**”) is principally engaged in rendering of (i) network support services mainly encompassing network infrastructure design and hardware installation, network management and security services; (ii) network connectivity services that focus on providing intranet and internet connectivity solutions and value-added services; and (iii) electronic commerce (“**E-Commerce**”) services.

The addresses of the registered office and the principal place of business of the Company are disclosed in the section “Corporate Information” section of this report.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the three months ended 30 September 2023 (the “**Unaudited Condensed Consolidated Financial Statements**”) have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”), which collective term includes all applicable individual IFRSs, International Accounting Standards (“**IASs**”) and Interpretations issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. The Unaudited Condensed Consolidated Financial Statements also comply with the applicable disclosure requirements of the GEM Listing Rules.

The Unaudited Condensed Consolidated Financial Statements are presented in Hong Kong Dollars (“**HK\$**”), and all amounts have been rounded to the nearest thousand (“**HK\$’000**”), unless otherwise indicated.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 September 2023

2. BASIS OF PREPARATION (CONTINUED)

The preparation of the Unaudited Condensed Consolidated Financial Statements requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenses on a year to date basis. Actual results may differ from these estimates.

The Unaudited Condensed Consolidated Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial performance of the Group since 1 July 2023 and, therefore, do not include all of the information required for full set of financial statements prepared in accordance with the IFRSs. They shall be read in conjunction with the audited consolidated financial statements of the Group for the year ended 30 June 2023 included in the annual report of the Company dated 22 September 2023 (the “**Annual Report 2022/2023**”).

The Unaudited Condensed Consolidated Financial Statements have been prepared on the historical cost basis. Except for changes in accounting policies resulting from adoption of new or revised IFRSs, the accounting policies and methods of computation applied in the preparation of the Unaudited Condensed Consolidated Financial Statements are consistent with the Annual Report 2022/2023.

In the current period, the Group has applied, for the first time, the following new/ revised IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group’s Unaudited Condensed Consolidated Financial Statements.

| | |
|--|--|
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to IAS 8 | Definition of Accounting Estimates |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| IFRS 17 | Insurance Contracts |
| Amendment to IFRS 17 | Initial Application of IFRS 17 and IFRS 9 – Comparative Information |

2. BASIS OF PREPARATION (CONTINUED)

The new/revised IFRSs does not have any material effect on the amounts reported and/or disclosures set out in the Unaudited Condensed Consolidated Financial Statements.

The Group has not early adopted any new or revised IFRSs that has been issued but not yet effective in the current accounting period.

The Unaudited Condensed Consolidated Financial Statements have not been audited by the Company's independent auditor but have been reviewed by the audit committee of the Board (the "**Audit Committee**") and were approved for issue by the Board.

3. SEGMENT INFORMATION

The executive Directors determine its operating segments based on the internal management reports prepared in accordance with accounting policies conform to IFRSs that are regularly reviewed by the executive Directors, being identified as the chief operating decision maker ("**CODM**"), for the purpose of resources allocation and assessment of segment performance based on products and services offered by the Group to the customers. The CODM considers that the operating segments of the Group comprise:

- (i) network support services and network connectivity services in Malaysia and the PRC; and
- (ii) E-Commerce in the PRC.

Segment results, which are the measures reported to CODM for the purposes of resources allocation and assessment of segment performance, represent the profit earned or loss incurred by each segment without allocation of general administrative expenses incurred by corporate office and income tax.

The Group's geographical segments regarding revenue is attributed to the segments based on the location where services are provided.

No analysis of the Group's assets and liabilities by operating segments is presented as it is not regularly provided to the CODM for review.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 September 2023

3. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the CODM of the Company for the reportable segments for the three months ended 30 September 2023 and 2022 is as follows:

| | Network support services and network connectivity services HK\$'000 (Unaudited) | E-Commerce HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) |
|---|---|---------------------------------------|----------------------------------|
| Three months ended 30 September 2023 | | | |
| Primary geographical markets | | | |
| Malaysia | 16,855 | - | 16,855 |
| The PRC | 4,042 | 4,152 | 8,194 |
| Reportable segment revenue | 20,897 | 4,152 | 25,049 |
| Reportable segment (loss) profit | (1,658) | 1,113 | (545) |
| Three months ended 30 September 2022 | | | |
| Primary geographical markets | | | |
| Malaysia | 16,632 | - | 16,632 |
| The PRC | 823 | 16,370 | 17,193 |
| Reportable segment revenue | 17,455 | 16,370 | 33,825 |
| Reportable segment (loss) profit | (1,126) | 11,837 | 10,711 |

Reconciliation of reportable segment results

| | Three months ended 30 September | |
|----------------------------------|--|--|
| | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| Reportable segment (loss) profit | (545) | 10,711 |
| Unallocated income | 2 | 160 |
| Unallocated expenses | (2,108) | (1,151) |
| (Loss) Profit before tax | (2,651) | 9,720 |

NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
For the three months ended 30 September 2023

4. REVENUE

| | Three months ended 30 September | |
|--|--|--|
| | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| Revenue from contracts with customers within IFRS 15 | | |
| Advertising income | 4,126 | – |
| Sales in E-Commerce | 26 | 200 |
| Sales of hardware | 350 | 793 |
| Subscription fee | – | 16,170 |
| Rendering of services | | |
| – On-site installation of hardware | 477 | 317 |
| – Network management and security services | 5,925 | 1,148 |
| – Network connectivity services | 12,467 | 13,358 |
| | 23,371 | 31,986 |
| Revenue from other sources | | |
| Revenue from lease of hardware under operating lease with fixed lease payments | 1,678 | 1,839 |
| | 25,049 | 33,825 |
| Timing of revenue recognition under IFRS 15 | | |
| At a point in time | 4,502 | 993 |
| Over time | 18,869 | 30,993 |
| | 23,371 | 31,986 |

**NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**
For the three months ended 30 September 2023

5. OTHER INCOME

| | Three months ended 30 September | |
|--------------------------------------|--|--|
| | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| Interest income from bank deposits | 51 | 89 |
| Government subsidies (<i>Note</i>) | – | 40 |
| Others | 189 | 3 |
| | 240 | 132 |

Note: In the opinion of the management of the Group, there was no unfulfilled condition or contingency relating to the government subsidies.

6. OTHER GAIN AND LOSSES, NET

| | Three months ended 30 September | |
|---|--|--|
| | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| Gain on disposal of property, plant and equipment | 197 | – |
| Write-off of property, plant and equipment | (9) | – |
| Foreign exchange (loss) gain, net | (74) | 78 |
| | 114 | 78 |

NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
For the three months ended 30 September 2023

7. (LOSS) PROFIT BEFORE TAX

This is stated after charging:

| | Three months ended 30 September | |
|--|------------------------------------|---------------------------------|
| | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| Finance costs | | |
| Interest expenses on interest-bearing borrowings and bank overdrafts | 56 | 95 |
| Interest expenses on lease liabilities | 57 | 60 |
| | 113 | 155 |
| Staff costs (including Directors' emoluments) | | |
| Salaries, discretionary bonus, allowances and other benefits in kind | 6,928 | 5,415 |
| Contributions to defined contribution plans | 976 | 612 |
| | 7,904 | 6,027 |
| Other items | | |
| Amortisation of contract costs | 243 | 301 |
| Cost of inventories | 244 | 501 |
| Depreciation of property, plant and equipment | 5,101 | 4,640 |
| Impairment loss of cryptocurrencies | 556 | – |
| Research and development costs (Note) | 2,525 | 1,211 |

Note: Research and development costs recognised as expenses included amounts relating to staff costs and depreciation of property, plant and equipment, which are also included in the respective expenses disclosed separately above.

**NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**
For the three months ended 30 September 2023

8. INCOME TAX CREDIT

| | Three months ended 30 September | |
|--|--|--|
| | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| Current tax | | |
| Malaysia Corporate Income Tax (“CIT”): | | |
| Current period | 26 | 89 |
| Under (Over) provision in prior year | 19 | (92) |
| PRC Enterprise Income Tax (“EIT”) | 99 | – |
| | 144 | (3) |
| Deferred tax | | |
| Change in temporary differences | (442) | (272) |
| Total income tax credit | (298) | (275) |

The Group entities established in the Cayman Islands and the British Virgin Islands (“BVI”) are exempted from income tax.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong during the three months ended 30 September 2023 and 2022.

Malaysia CIT is calculated at the rate of 24% of the Group’s estimated assessable profits arising from Malaysia during the three months 30 September 2023 and 2022. Malaysia incorporated entities with paid-up capital of RM2.5 million or less enjoy tax rate of 17% on the first RM600,000 and remaining balance of the estimated assessable profits at tax rate of 24% for the three months 30 September 2023 and 2022.

The Group’s subsidiaries established in the PRC are subject to EIT at 25% of the estimated assessable profits for the year based on the existing legislation, interpretations and practices in respect thereof.

Deferred tax includes temporary differences arising from the contract costs, contract liabilities, capital allowances, accelerated accounting depreciation and tax losses.

NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
For the three months ended 30 September 2023

9. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share attributable to equity holders of the Company is based on the following information:

| | Three months ended 30 September | |
|---|--|--|
| | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| (Loss) Profit for the period attributable to equity holders of the Company, used in basic and diluted (loss) earnings per share calculation | (2,333) | 9,082 |
| | Number of shares | |
| | 2023 | 2022 |
| Weighted average number of ordinary shares for basic and diluted (loss) earnings per share calculation | 600,000,000 | 600,000,000 |

Diluted (loss) earnings per share is the same as basic (loss) earnings per share as there are no dilutive potential ordinary shares in existence during the three months ended 30 September 2023 and 2022.

10. DIVIDENDS

The Directors do not recommend the payment of any dividend for the three months ended 30 September 2023 (*Three months ended 30 September 2022: Nil*).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company and the Group is principally engaged in rendering of (i) network support services which, mainly encompass network infrastructure design and hardware installation, network management and security services; (ii) network connectivity services that focus on providing intranet and internet connectivity solutions and value-added services; and (iii) E-Commerce.

The shares of the Company (the “**Shares**”) were successfully listed on GEM of the Stock Exchange. The Listing has enhanced the Company’s capital strength and reinforcing the resources for future development as in line with the Group’s long-term objective in becoming one of the influential enterprises and preferred value-added partner in its businesses as well as exploring potential business development with an aim to achieve business growth and maximise the value for the shareholders of the Company (the “**Shareholders**”).

The Group has been actively considering and exploring various opportunities and flexibly changing its business strategies. To keep pace with the PRC’s policy of development of E-Commerce and grasp the business opportunities arisen from the universe of E-Commerce, starting from 2022, the Group has kicked-off the development of the E-Commerce business in the PRC.

In order to seize the business opportunity from the development of virtual assets sector in Hong Kong, the Group formulated a series of business plans to invest in this sector efficiently, flexibly and cautiously. In December 2022, Roma (meta) Group Limited (“**Roma**”, a company listed on the Stock Exchange, stock code: 8072) and the Company had entered into a memorandum of understanding (the “**MoU**”) on strategic cooperation so as to bring mutual benefits to each other. By pooling of Roma and the Company’s competitive advantages, resource and expertise, both parties intend to establish a stable and mutually beneficial partnership on technology development and capturing business opportunities amid the rapid technological advancement. For further details of the MoU, please refer to the announcement of the Company dated 5 December 2022.

In January 2023, the Group invested in approximately 34% of total issued share capital in Million Up Holdings Limited (“**Million Up**”) and Fantastic Adventure Holdings Limited (“**Fantastic Adventure**”) (the “**Investments in Associates**”). Yuen Meta (International) Securities Limited (“**Yuen Meta Securities**”), the wholly-owned subsidiary of Million Up and Leo Asset Management Limited (“**Leo Asset**”), the wholly-owned subsidiary of Fantastic Adventure follow up closely on development of virtual assets regulatory framework and the application for additional approvals related to virtual assets exchange and management business. As a strategic investor, the Group puts a best effort basis to support Yuen Meta Securities and Leo Asset to develop the virtual assets related business, including the blockchain technology research and marketing support. For further details of the Investments in Associates, please refer to the announcement of the Company dated 9 January 2023 and Note 16 to the consolidated financial statements in the Annual Report 2022/2023.

During the three months ended 30 September 2023, as disclosed in the Annual Report 2022/2023, the Group has gradually expanded its principal business of activities in the PRC market and increased its investment in the development of blockchain technology business.

E-Commerce Business

Online shopping market in the PRC has experienced rapid growth over the past few years. To keep pace with the PRC's policy of development of E-Commerce and grasp the business opportunity arisen from the universe of E-Commerce, especially the change of consumers' living style from offline to online, starting from 2022, the Group has kicked-off the development of the E-Commerce business in the PRC. The E-Commerce business contributed approximately HK\$4,152,000 or 16.6% of the total revenue of the Group for the three months ended 30 September 2023 (*Three months ended 30 September 2022: approximately HK\$16,370,000 or 48.4% of the total revenue*). Decrease in revenue was mainly due to suspension of the paying membership scheme of the App (as defined in the following paragraph) during the year ended 30 June 2023.

Currently, the Group has operated the E-Commerce business through a developed mobile application "Michong Short Video (米虫短視頻)" (the "App"). Different from the traditional online shopping platform, the App refreshes a new shopping experience for users and customers in the new era, which link high-quality products (covering fresh vegetables and fruits, food and beverages, home appliances, beauty accessories and other products) and massive users through original video content.

The Group mainly cooperates with domestic E-Commerce product suppliers with long-term industry experience in E-Commerce business in the PRC. The competition of the domestic E-Commerce business in the PRC is coming to a head, the Group strives to guarantee and provide the satisfied online shopping experience to our members on the selection of E-Commerce commodities, quality assurance, logistics supply and after-sales service.

In order to encourage more users to use the App and enjoy shopping experience through its video content, the Group suspended the paying membership scheme during the year ended 30 June 2023, which caused the decrease in revenue from subscription fee from approximately HK\$16,170,000 for the three months ended 30 September 2022 to nil for the three months ended 30 September 2023. As at 30 September 2023, the number of registered members of the App significantly increased to approximately 5,906,000 (*30 September 2022: approximately 496,000*).

MANAGEMENT DISCUSSION AND ANALYSIS

In view of the continuous growth of the number of registered members of the App, the Group began to expand the advertising business through the App, by playing video advertisements for banking, insurance, and life service industries, etc. For the three months ended 30 September 2023, the Group recognised advertising income at approximately HK\$4,126,000 (*Three months ended 30 September 2022: Nil*). The Group expects that more revenue streams can be built upon the increase in registered members and activities of the App.

Network support services and network connectivity services segment

During the three months ended 30 September 2023, the revenue from network support services and network connectivity services segment increased by approximately HK\$3,442,000 or 19.7% to approximately HK\$20,897,000 (*Three months ended 30 September 2022: approximately HK\$17,455,000*), which mainly due to the expansion of such services in the PRC market. The revenue from the PRC market increased by approximately HK\$3,219,000 or 391.1% to approximately HK\$4,042,000 for the three months ended 30 September 2023 (*Three months ended 30 September 2022: approximately HK\$823,000*).

Revenue from the Malaysian market slightly increased by approximately HK\$223,000 or 1.3% to approximately HK\$16,855,000 for the three months ended 30 September 2023 (*Three months ended 30 September 2022: approximately HK\$16,632,000*). Despite the revenue was stable among two periods, gross profit margin in the Malaysian market significantly decreased from approximately 27.3% for the three months ended 30 September 2022 to approximately 22.8% for the three months ended 30 September 2023 due to the increase in costs and competition in the Malaysian market.

In view of the prolonged decrease in gross profit margin of projects and business opportunities in the Malaysian market, the Group has explored markets on the network support services and network connectivity services to the PRC. Accordingly, internal resources and capacity of the Group have been gradually shifted to the PRC markets. The Group expected that revenue from the PRC market will increase gradually with higher gross profit margin.

In coming year, the Group does not expect to renew the network service provider license (the “**NSP License**”), which is issued by the Malaysian Communications and Multimedia Commission (MCMC) under consideration of cost and benefit from the NSP License. The abandon of NSP License will lead to the significantly decrease in network connectivity service in Malaysia as the Malaysian subsidiary will not be eligible to subscribe for the networks of third-party telecommunication companies so as to leverage their nationwide network infrastructure to provide network connectivity services to our customers. In view of the development in the PRC markets and security of new projects, the Group believes that the impact of abandon of the NSP License on the Group’s revenue in this segment will be short-lived.

PROSPECT

In view of the current development of blockchain technology in the decentralisation of the Internet, the Board is of the opinion that blockchain technology, as well as virtual assets, has the potential to bring about profound changes to the existing financial and technology industries.

The Group has expanded its network of partnership to strengthen its competitive advantage, and continuously improve operational efficiency. In addition, the Group will continue to make use of technological innovation, and invest in the research and development of the basic construction of the metaverse concept, especially the research and development of blockchain technology, NFT technology and virtual assets, with a view to provide development services to global enterprises with demand on blockchain technology service in the future and contribute to the high-quality development of the digital economy in the PRC.

In April 2023, the Company has established an indirect wholly-owned subsidiary in Hong Kong, namely Morwin Blockchain Technology Limited (“**Morwin**”). The scope of Morwin’s principal businesses will include providing global customers with customised solutions on virtual assets trading exchanges, solutions on NFTs trading platforms, as well as consulting services and total solutions regarding matters such as metaverse and cryptocurrencies. Currently, the R&D team has successfully developed a multi-public chain and multi-currency blockchain wallet for preliminary evaluation of virtual asset exchanges.

The Group believes that the operation of Morwin will seize the future opportunities, strive to seek the opportunities for investment, development or collaboration in the market, and participate in and promote the development and application of blockchain technology by leveraging on the Company’s cumulative advantages in blockchain technology.

In the future, the Group will continue to devote itself to the market of blockchain technology to seek opportunities on investment, development and cooperation. We will also take advantage of the blockchain technology accumulated by the Group, to participate in the development and application of blockchain technology, and focus on promoting applications of blockchain technology services in various fields such as the financial services industry.

FINANCIAL REVIEW

Revenue

The Group derives its revenue primarily from the provision of comprehensive and customised (i) network support services which includes the revenue from sales of hardware, on-site installation of hardware, network management and securities services, and lease of hardware, (ii) network connectivity services and (iii) the E-Commerce.

Our revenue decreased by approximately HK\$8,776,000 or 25.9% from approximately HK\$33,825,000 for the three months ended 30 September 2022 to approximately HK\$25,049,000 for the three months ended 30 September 2023. Such decrease was mainly due to aggregate effect of (i) the suspension of paying membership scheme in the E-Commerce business, which the subscription fee dropped to nil for the three months ended 30 September 2023 (*Three months ended 30 September 2022: approximately HK\$16,170,000*); (ii) exploration of advertising income in the E-Commerce business, which contributed revenue of approximately HK\$4,126,000 for the three months ended 30 September 2023 (*Three months ended 30 September 2022: Nil*); and (iii) increase in the revenue from network management and security services by approximately HK\$4,777,000 or 416.1% to approximately HK\$5,925,000 (*Three months ended 30 September 2022: approximately HK\$1,148,000*) due to the exploration of market to the PRC.

Cost of sales and services

Our cost of sales and services increased by approximately HK\$1,503,000 or 11.7% from approximately HK\$12,792,000 for the three months ended 30 September 2022 to approximately HK\$14,295,000 for the three months ended 30 September 2023, which was due to general inflation in costs incurred in products and services, especially the increase in cost of cabling by approximately HK\$1,583,000 or 799.5% to approximately HK\$1,781,000 for the three months ended 30 September 2023 (*Three months ended 30 September 2022: approximately HK\$198,000*).

Gross profit margin

Our gross profit margin decreased from approximately 62.2% for the three months ended 30 September 2022 to approximately 42.9% for the three months ended 30 September 2023. The decrease was mainly due to the suspension of paying membership scheme in the E-Commerce business, which the subscription fee dropped to nil for the three months ended 30 September 2023. The relevant revenue contributed approximately 47.8% of total revenue with gross profit margin of approximately 99.0% for the three months ended 30 September 2022.

Other income

Our other income mainly represented interest income from bank deposits, government subsidies and miscellaneous income. Other income increased by approximately HK\$108,000 or 81.8% from approximately HK\$132,000 for the three months ended 30 September 2022 to approximately HK\$240,000 for the three months ended 30 September 2023. Such increase was mainly attributable to the aggregate effect of (i) increase in miscellaneous income by approximately HK\$186,000 or 6200%; (ii) decrease in receipt of interest income from bank deposits by approximately HK\$38,000 or 42.7%; and (iii) decrease in government grant by approximately HK\$40,000 or 100%.

Other gain and losses, net

Other gain, net increased by approximately HK\$36,000 or 46.2% from approximately HK\$78,000 for the three months ended 30 September 2022 to approximately HK\$114,000 for the three months ended 30 September 2023. The increase was attributable to the aggregate effect of (i) the recognition of gain on disposal of property, plant and equipment of approximately HK\$197,000 for the three months ended 30 September 2023 (*Three months ended 30 September 2022: Nil*); and (ii) the recognition of foreign exchange loss, net of approximately HK\$74,000 (*Three months ended 30 September 2022: foreign exchange gain, net of approximately HK\$78,000*).

Selling expenses

Our selling expenses mainly represented (i) marketing fee incurred on promotion of the E-Commerce business; (ii) commission to our sales representatives for securing contracts with new and current customers; and (iii) other staff costs for the sales team of the Group.

Selling expenses increased by approximately HK\$548,000 or 24.1% from approximately HK\$2,273,000 for the three months ended 30 September 2022 to approximately HK\$2,821,000 for the three months ended 30 September 2023, which was mainly attributable to the increase in other staff costs for the sales team in the PRC by approximately HK\$1,329,000 or 132.6% to approximately HK\$2,331,000 for the three months ended 30 September 2023 (*Three months ended 30 September 2022: approximately HK\$1,002,000*). The increase in other staff costs for the sales team in the PRC was in line with the increase in headcount of salesperson and selling activities in the PRC.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately HK\$1,429,000 or 15.7% from approximately HK\$9,095,000 for the three months ended 30 September 2022 to approximately HK\$10,524,000 for the three months ended 30 September 2023. The increase was mainly due to the continued expansion of the Group's business in the PRC, especially in (i) increase in staff cost for administrative and management personnel (including Directors) by approximately HK\$992,000 or 24.8% to approximately HK\$4,988,000 for the three months ended 30 September 2023 (*Three months ended 30 September 2022: approximately HK\$3,996,000*) due to increase in number of employees; and (ii) increase in depreciation of property, plant and equipment by approximately HK\$584,000 or 18.3% to approximately HK\$3,782,000 for the three months ended 30 September 2023 (*Three months ended 30 September 2022: approximately HK\$3,198,000*).

Finance costs

Our finance costs mainly derived from the interest expenses on interest-bearing borrowings and bank overdrafts and interest expenses on lease liabilities. Such costs decreased by approximately HK\$42,000 or 27.1% from approximately HK\$155,000 for the three months ended 30 September 2022 to approximately HK\$113,000 for the three months ended 30 September 2023. Interest expenses on interest-bearing borrowings and bank overdrafts decreased by approximately HK\$39,000 or 41.1% to approximately HK\$56,000 for the three months ended 30 September 2023 (*Three months ended 30 September 2022: approximately HK\$95,000*) due to the decrease in average balance of bank overdrafts for the three months ended 30 September 2023.

Share of results of associates

Our share of results of associates derived from the investments in associates. Share of results of associates amounted to loss of approximately HK\$301,000 (*Three months ended 30 September 2022: Nil*).

Income tax credit

Income tax credit increased by approximately HK\$23,000 or 8.4% from approximately HK\$275,000 for the three months ended 30 September 2022 to approximately HK\$298,000 for the three months ended 30 September 2023. The increase was mainly attributable to the combined effect of (i) recognition of the PRC EIT at approximately HK\$99,000 for the three months ended 30 September 2023 (*Three months ended 30 September 2022: Nil*); and (ii) increase in recognition of deferred tax credit in relation to the temporary differences arising from the capital allowances and accelerated accounting depreciation, and provision for contract costs and contract liabilities by approximately HK\$170,000 or 62.5% to approximately HK\$442,000 for the three months ended 30 September 2023 (*Three months ended 30 September 2022: approximately HK\$272,000*).

(Loss) Profit for the period

Our loss for the period was approximately HK\$2,353,000 for the three months ended 30 September 2023 as compared to profit of approximately HK\$9,995,000 for the three months ended 30 September 2022. The turnaround was mainly due to the decrease in revenue and gross profit margin, and increase in selling expenses and administrative and other operating expenses, mainly due to expansion of the Group's business in the PRC, as analysed above.

CAPITAL STRUCTURE

The Shares were listed on GEM of the Stock Exchange on 9 December 2019. There has been no change in the capital structure of the Company since then. As at 30 September 2023, the capital structure of the Company comprised mainly of issued share capital and reserves.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES AND SIGNIFICANT INVESTMENTS

There was no material acquisitions or disposals of subsidiaries and affiliated companies and significant investments by the Group during the three months ended 30 September 2023.

SIGNIFICANT EVENT*Wholly-owned Subsidiaries of the Group in the PRC Received the Administrative Judgment from Yichun City Yuanzhou District People's Court of Jiangxi Province*

On 21 August 2023, 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 an 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**"), 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.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

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 (the “**Temporary Suspension of Bank Accounts**”).

As advised by Hubei Fuxi Law Firm* (湖北省賦兮律師事務所) (the “**PRC Legal Adviser**”), the business model of Michong Wuhan in selling E-commerce membership cards has no feature of pyramid scheme. 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* (the Order No. 444 of the State Council of the PRC).

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.

* *For identification purpose only*

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.

Up to the date of this report, 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.

More details of the Administrative Order and analysis from the PRC Legal Adviser are set out in the announcement of the Company dated 25 August 2023.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2023, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to our Company and the Stock Exchange, were as follows:

(i) *Long position in the ordinary Shares of the Company*

| Name of Director | Nature of interest and capacity | Number of shares held/ interested (Note 1) | Approximate percentage of shareholding |
|--|--------------------------------------|---|--|
| Mr. Yu Decai (“Mr. Yu”) (Note 2) | Interests in controlled corporations | 416,364,000 (L) | 69.39% |

Notes:

1. The letter “L” demonstrates long position.
2. Mr. Yu beneficially owns the entire issued shares of Thrive Harvest Limited (“**Thrive Harvest**”) and Worldtone Riches Investment Limited (“**Worldtone Riches**”). Thrive Harvest is a company incorporated in the British Virgin Islands (the “**BVI**”), which in turn holds 303,864,000 Shares or approximately 50.64% of the issued share capital of the Company; and Worldtone Riches is a company incorporated in the BVI, which in turn holds 112,500,000 Shares or approximately 18.75% of the issued share capital of the Company. Therefore, Mr. Yu is deemed, or taken to be, interested in all the Shares held by Thrive Harvest and Worldtone Riches for the purpose of the SFO.

(ii) *Long position in the ordinary shares of associated corporations*

| Name of Director | Name of associated corporations | Capacity/Nature | Number of shares held | Approximate percentage of interest |
|------------------|---------------------------------|------------------|-----------------------|------------------------------------|
| Mr. Yu | Thrive Harvest | Beneficial owner | 1 ordinary share | 100% |
| | Worldtone Riches | Beneficial owner | 100 ordinary shares | 100% |

Save as disclosed above, as at 30 September 2023, none of the Directors nor chief executive of the Company had registered an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and Chief Executive's Interests and/or Short Positions in Shares, Underlying Shares and Debentures" above and in the paragraph headed "Share Schemes" below, at no time during the three months ended 30 September 2023 were rights to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of the Company granted to any Director or their respective spouses or minor children, nor were any such rights exercised by them; or was the Company, its holding company, nor any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors and the chief executive of the Company, as at 30 September 2023, the following persons (other than a Director or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required pursuant to section 336 of the SFO to be entered in the register referred to therein or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any member of the Group.

Long Position in the ordinary Shares of the Company

| Name | Nature of interest and capacity | Number of Shares held/ interested (Note 1) | Approximate percentage of shareholding |
|---------------------------|--------------------------------------|---|--|
| Mr. Yu (Note 2) | Interest in a controlled corporation | 416,364,000(L) | 69.39% |
| Thrive Harvest (Note 2) | Beneficial owner | 303,864,000(L) | 50.64% |
| Worldtone Riches (Note 2) | Beneficial owner | 112,500,000(L) | 18.75% |
| Wuhan Jiayou (Note 3) | Interest in a controlled corporation | 33,750,000(L) | 5.625% |
| Shenzhen Huitong (Note 3) | Interest in a controlled corporation | 33,750,000(L) | 5.625% |
| Garden Wealth (Note 3) | Beneficial owner | 33,750,000(L) | 5.625% |

Notes:

- The letter "L" demonstrates long position.
- Mr. Yu beneficially owns the entire issued shares of Thrive Harvest and Worldtone Riches. Therefore, Mr. Yu is deemed, or taken to be, interested in all the Shares held by Thrive Harvest and Worldtone Riches for the purpose of the SFO.
- 100% equity interest of Garden Wealth Limited ("**Garden Wealth**") is owned by Shenzhen Huitong Yingfu No. 1 Equity Investment Fund Partnership (Limited Partnership)* ("**Shenzhen Huitong**") and 97% equity interest of Shenzhen Huitong is owned by Wuhan Jiayou Information Technology Co., Ltd.* ("**Wuhan Jiayou**"). Therefore, Wuhan Jiayou and Shenzhen Huitong are deemed, or taken to be, interested in the Shares held by Garden Wealth for the purpose of the SFO.

* for identification purpose only

Interest in other member of the Group

| Name of member of the Group | Name of shareholder | Approximate percentage of shareholding |
|--------------------------------------|---|--|
| IP Core Network Sdn. Bhd. (108744-U) | Ms. Fathim Nur Zaida Binti Zainal Ariffin (Ms. Fathim) | 30% |

Note:

Ms. Fathim is one of the members of the Group's senior management.

Save as disclosed above, as at 30 September 2023, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests and/or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE SCHEMES*Share Award Scheme*

The Company has adopted a share award scheme (the "**Share Award Scheme**") on 14 April 2023 (the "**Adoption Date**") under the Shareholders' approval by way of poll at the extraordinary general meeting of the Company on the Adoption Date (the "**EGM**"). The Share Award Scheme is effective upon obtaining the listing approval from the Stock Exchange on 21 April 2023. The terms of the Share Award Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules. The following is a summary of the principal terms of the Share Award Scheme:

OTHER INFORMATION

(A) **Purpose**

The purposes of the Share Award Scheme are:

- (a) to recognise the contributions by certain employees and persons to the Group;
- (b) to provide the Eligible Award Participants (as defined in the following paragraph) with additional incentives in order to retain them for the continual operation and development of the Group; and
- (c) to attract suitable personnel for further development of the Group.

(B) **Duration**

Subject to any early termination as may be determined by the Board pursuant to the rules set out therein relating to the Share Award Scheme (the “**Share Award Scheme Rules**”), the Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on the Adoption Date.

(C) **Trustee**

Orient Securities Limited has been appointed by the Company as the initial trustee (the “**Trustee**”). To the best knowledge, information and belief of the Directors after making all reasonable enquiries, Orient Securities Limited and its ultimate beneficial owners are independent third parties of the Company.

(D) **Eligible Award Participants**

The following classes of participants are eligible for participation in the Share Award Scheme (the “**Eligible Award Participants**”):

- (a) Employee participant(s) including the director(s) and employee(s) (whether full-time or part-time) of any member of the Group (including persons who are granted awards under the Share Award Scheme (the “**Award**”) as inducement to enter into employment contracts with the Group); and

- (b) Service provider(s) including person(s) who provide services to any members of the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group, which include any independent distributor, contractor, supplier, agent, consultant or adviser to any member of the Group (where the continuity and frequency of their services are akin to those of employees of the Group), but exclude any placing agent or financial adviser providing advisory services for fundraising, mergers or acquisitions, and other professional services provider such as auditor or valuer (the “**Service Provider(s)**”),

provided that the Board may, from time to time, at its absolute discretion select any Eligible Award Participant to be a selected participant.

(E) Total Number of Shares Available for Issue

The maximum number of Shares which may be allotted and issued in respect of all Awards to be granted under the Share Award Scheme, all Options to be granted under the Share Option Scheme (as defined in the following section headed “Share Option Scheme” on pages 33 to 35 of this report), and the options and awards to be granted under any other share scheme(s) of the Company shall not in aggregate exceed 10% of the entire issued share capital of the Company as at the Adoption Date without the Shareholders’ approval (i.e. 60,000,000 Shares).

At the date of this report, a total of 60,000,000 Shares, representing 10% of the issued share capital of the Company, are available for issue under the Share Award Scheme and the Share Option Scheme.

(F) Maximum Entitlement of Each Eligible Award Participant

The maximum number of Shares which may be issued in respect of all Awarded Shares which may be granted at any time under the Share Award Scheme together with options and awards which may be granted under any other share schemes for the time being of the Company to the Service Providers shall not exceed such number of Shares as equals to 1% of the issued share capital of the Company as at the Adoption Date.

(G) Grant of Award to a Director, Chief Executive or Substantial Shareholder of the Company or Any of Their Associates

Any grant of Awards to any of the Directors, chief executive of the Company or substantial Shareholder(s) (as defined in the Listing Rules), or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Grantee of the Award (if any)).

Where any grant of Awards to an independent non-executive Director or a substantial Shareholder or any of their respective associates would result in the Shares transferred and to be transferred or allotted and issued and to be allotted and issued in respect of all options and awards granted (excluding any options and awards lapsed in accordance with the terms of the relevant schemes) to such person in the twelve (12)-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue, such further grant of Awards must be approved by the Shareholders in a general meeting of the Company.

(H) Timing

No Award shall be made or vested to the Eligible Award Participants pursuant to the Share Award Scheme Rules and no directions or recommendation shall be given to the Trustee with respect to granting or vesting of an Award or any acquisition, receipt or disposal of or dealing in Shares under the Share Award Scheme after inside information has come to the knowledge of the Company until (and including) the trading day after it has been announced pursuant to the requirements of the GEM Listing Rules.

(I) Vesting Period

Save for the circumstances prescribed in the Share Award Scheme, the vesting period of the Awards shall not be less than 12 months in general. However, the Board (or the Remuneration Committee where it relates to grants of the Awards to an Employee Participant who is a Director and/or senior manager of the Company) will have a discretion in allowing a shorter vesting period to an Employee Participant in the certain circumstances.

For more details on the Share Awards Scheme, please refer to Appendix I to the circular of the Company dated 16 March 2023 (the “**Circular**”). No Award has been granted, exercised, cancelled or lapsed under the Share Award Scheme since the Adoption Date and at the date of this report.

Share Option Scheme

The Company has terminated the share option scheme was approved and adopted by the Shareholders by way of written resolutions passed on 11 November 2019 and has adopted a new share option scheme (the “**Share Option Scheme**”) on the Adoption Date under the Shareholders’ approval by way of poll at the EGM. The Share Option Scheme is effective upon obtaining the listing approval from the Stock Exchange on 21 April 2023. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules. The following is a summary of the principal terms of the Share Option Scheme:

(A) Purpose

The purpose of the Share Option Scheme is to attract and retain the best available personnel of the Group, to provide additional incentive to the Eligible Option Participants (as defined in the following paragraph) and to promote the success of the business of the Group. The Share Option Scheme will give the Eligible Option Participants an opportunity to have a personal stake in the Company and will help motivate the Eligible Option Participants in optimising their performance and efficiency and attract and retain the Eligible Option Participants whose contributions are important to the long-term growth and profitability of the Group.

(B) Duration

Subject to any early termination as may be determined by the Board pursuant to the rules set out therein relating to the Share Option Scheme as amended from time to time, the Share Option Scheme shall be valid and effective for a term of ten (10) years commencing on the Adoption Date.

(C) Eligible Option Participants

The following classes of participants are eligible for participation in the Share Option Scheme (the “**Eligible Option Participants**”):

- (a) Employee participant(s) including the director(s) and employee(s) (whether full-time or part-time) of any member of the Group (including persons who are granted Options under the Share Option Scheme as inducement to enter into employment contracts with the Group); and
- (b) The Service Provider(s)

provided that the Board may, from time to time, at its absolute discretion select any Eligible Option Participant to be a selected participant.

(D) Total Number of Shares Available for Issue

The maximum number of Shares which may be allotted and issued in respect of all Awards and Options to be granted under the Share Award Scheme and the Share Option Scheme, respectively, and the options and awards to be granted under any other share scheme(s) is 60,000,000 Shares.

At the date of this report, a total of 60,000,000 Shares, representing 10% of the issued share capital of the Company, are available for issue under the Share Award Scheme and the Share Option Scheme.

(E) Maximum Entitlement of Each Eligible Option Participant

Where any grant of Options to an Eligible Option Participant would result in the Shares issued and to be issued in respect of all options and awards granted to such Eligible Option Participant (excluding any options and awards lapsed in accordance with the terms of the relevant schemes) in the twelve (12)-month period up to and including the date of such grant representing in aggregate over 1% of the Shares in issue, such grant must be separately approved by the Shareholders in general meeting with such Eligible Option Participant and his/her close associates (or associates if the Eligible Option Participant is a connected person) abstaining from voting. The Company must send a circular to the Shareholders and the circular must disclose the identity of the Eligible Option Participant, the number and terms of any option(s) to be granted to Eligible Option Participant(s) to subscribe for new Share(s) under the Share Option Scheme (the “**Option**”) to be granted (and options previously granted to such Eligible Option Participant in the twelve (12)-month period), the purpose of granting Options to the Eligible Option Participant, an explanation as to how the terms of the Options serve such purpose and such information as may be required by the Stock Exchange from time to time. The number and terms (including the subscription price) of Options to be granted to such Eligible Option Participant must be fixed before Shareholders’ approval and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(F) Grant and Acceptance of Options

The Board shall, subject to the Share Option Scheme Rules and the GEM Listing Rules, be entitled (but shall not be bound) at any time and from time to time on any Business Day within a period of ten (10) years commencing on the Adoption Date to make an offer for the grant of the Option to such Eligible Option Participant as it may in its absolute discretion select, and subject to such conditions as the Board may think fit, to subscribe for such number of Shares (being a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof) as the Board may, subject to maximum number of Shares available for issue, determine the subscription price, provided that no such grant shall be made if a prospectus is required to be issued under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) or any applicable laws or if such grant will result in the breach by the Company or the Directors of any applicable securities laws and regulations in any jurisdiction.

(G) Vesting Period

Save for the circumstances prescribed in the Share Option Scheme, the Option must be held by the grantee for at least twelve (12) months before the Option can be exercised.

(H) Subscription Price of Shares

The subscription price for Shares to be subscribed under the Share Option Scheme may be determined by the Board at its absolute discretion, provided that it shall not be less than the highest of:

- (a) the closing price of the Shares as shown in the daily quotations sheet of the Stock Exchange on the offer date, which must be a business day;
- (b) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) consecutive business days immediately preceding the offer date; and
- (c) the nominal value of the Share on the offer date.

For more details on the Share Option Scheme, please refer to Appendix II to the Circular. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the Adoption Date and at the date of this report.

OTHER INFORMATION

AUDIT COMMITTEE

As at 30 September 2023, the Audit Committee has three members comprising three Independent Non-executive Directors, namely Mr. Ng Der Sian (Chairman), Dr. Tsoi Chi Chuen Cheney and Ms. Zheng Li Ping. None of them are members of the former or existing auditors of the Company. The Board considers that the Audit Committee has extensive commercial experience in business, financial and legal matters. The primary duties of the Audit Committee include, among other matters, to review and monitor financial reporting and the judgment contained therein; to review financial, internal controls and risk management systems, accounting policies and practices with management and external auditors; to make recommendation to the Board on the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors; and to review the Company's compliance with the Corporate Governance Code ("**CG Code**") contained in Appendix 15 to the GEM Listing Rules.

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls, risk management systems and financial reporting matters, and the Company's policies and practices on corporate governance. The Audit Committee has also reviewed and discussed with the management the unaudited condensed consolidated financial results of the Group for the three months ended 30 September 2023 and this report and is of the opinion that the preparation of such statements compiled with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

CORPORATE GOVERNANCE CODE

The Company's corporate governance practices follow the principles and code provisions as set out in the CG Code in Appendix 15 of the GEM Listing Rules. The Company has adopted and complied with, where applicable, the CG Code during the three months ended 30 September 2023 to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner, save for the deviation stipulated below.

According to the code provision C.2.1 of the CG Code, the role of chairman and chief executive officer should be separated and should not be performed by the same individual. Under the current management structure of the Company, Mr. Yu is the chairman of the Board (the “**Chairman**”) and chief executive officer of the Company (the “**Chief Executive Officer**”). As Mr. Yu has more than 12 years of experience in technologies, media and telecommunications sector, corporate strategic management, project management, investment business and fund management, and due to his familiarity with the operations of the Group, the Board believes that it is in the best interest of the Group to continue to have Mr. Yu acting as both the Chairman and the Chief Executive Officer for effective management and business planning of the Group. Further, the Company has put in place an appropriate check-and-balance mechanism through the Board and three Independent Non-executive Directors. The Company will consult the Board for any major decisions. Therefore, the Board considers that the current structure of vesting rights of the Chairman and the Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company and the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstances.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the required standards of dealings (the “**Required Standard of Dealings**”) set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the Required Standard of Dealings during the three months ended 30 September 2023.

COMPETING INTERESTS

During the three months ended 30 September 2023, so far as the Directors are aware, none of the Directors, controlling shareholders or substantial shareholders of the Company, neither themselves nor their respective close associates (as defined under the GEM Listing Rules) had held any position or had interest in any businesses or companies that were materially competing or might materially compete with the business of the Group, or gave rise to any concern regarding conflict of interest.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the three months ended 30 September 2023.

OTHER INFORMATION

FORWARD LOOKING STATEMENTS

This report contains forward looking statements with respect to the financial conditions, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

APPRECIATION

The Group's continued success depends on all its staff's commitment, dedication and professionalism. The Board would like to thank every member of staff for their diligence and dedication and to express its sincere appreciation to our shareholders, clients and suppliers for their continuous and valuable support.

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

Hong Kong, 13 November 2023

As at the date of this report, 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.

Website: <http://www.metamichong.com>