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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8645)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

The board of directors (the “**Board**”) of Michong Metaverse (China) Holdings Group Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) is pleased to announce the unaudited consolidated results of the Group for the six months ended 31 December 2023. This announcement, containing the full text of the interim report of the Company for the six months ended 31 December 2023 (“**2023/2024 Interim Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of the interim results. Printed version of the 2023/2024 Interim Report will be delivered to the shareholders of the Company and available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.metamichong.com in due course.

By Order of the Board

Michong Metaverse (China) Holdings Group Limited
Yu Decai

Executive Director, Chairman and Chief Executive Officer

Hong Kong, 23 February 2024

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

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

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

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this interim report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this interim report.

*This interim 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 interim 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 interim report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Ms. Jin Yangyang
(*Appointed on 4 December 2023*)

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. Jin Yangyang
(*Appointed on 4 December 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

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

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Taman Muzaffar Heights
75450 Ayer Keroh
Melaka, Malaysia

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

Room 301-309, 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
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
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183 Queen's Road East, Wanchai
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STOCK CODE

8645

WEBSITE OF THE COMPANY

www.metamichong.com

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- The Group's revenue for the six months ended 31 December 2023 amounted to approximately HK\$50,674,000, representing a decrease of approximately HK\$15,877,000 or 23.9% as compared with that of the corresponding period in the prior year.
- Gross profit for the six months ended 31 December 2023 decreased by approximately HK\$24,070,000 or 62.4% to approximately HK\$14,525,000.
- Loss per share of the Company for the six months ended 31 December 2023 was approximately HK1.84 cents (*Six months ended 31 December 2022: earnings per share of approximately HK2.90 cents*).
- The Directors do not recommend the payment of any dividend for the six months ended 31 December 2023 (*Six months ended 31 December 2022: Nil*).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Three months ended 31 December		Six months ended 31 December	
		2023	2022	2023	2022
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	4	25,625	32,726	50,674	66,551
Cost of sales and services		(21,854)	(15,164)	(36,149)	(27,956)
Gross profit		3,771	17,562	14,525	38,595
Other income	5	97	112	337	244
Other gain and losses, net	6	72	286	186	364
Selling expenses		(2,388)	(555)	(5,209)	(2,828)
Administrative and other operating expenses		(8,941)	(10,103)	(19,465)	(19,198)
Finance costs	7	(117)	(125)	(230)	(280)
Share of results of associates		(1,450)	-	(1,751)	-
(Loss) Profit before tax	7	(8,956)	7,177	(11,607)	16,897
Income tax credit	8	290	225	588	500
(Loss) Profit for the period		(8,666)	7,402	(11,019)	17,397
Other comprehensive income for the period					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange difference arising on translation of foreign operations		1,354	3,373	1,003	1,699
Total comprehensive (expenses) income for the period		(7,312)	10,775	(10,016)	19,096

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Note	Three months ended 31 December		Six months ended 31 December		
	2023	2022	2023	2022	
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	
(Loss) Profit for the period attributable to:					
Equity holders of the Company	(8,691)	8,293	(11,024)	17,375	
Non-controlling interests	25	(891)	5	22	
	(8,666)	7,402	(11,019)	17,397	
Total comprehensive (expenses) income attributable to:					
Equity holders of the Company	(7,343)	11,625	(10,025)	19,074	
Non-controlling interests	31	(850)	9	22	
	(7,312)	10,775	(10,016)	19,096	
(Loss) earnings per share for (loss) profit attributable to equity holders of the Company					
Basic and diluted	10	(1.45) cents	1.38 cents	(1.84) cents	2.90 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Notes	At 31 December 2023 HK\$'000 (Unaudited)	At 30 June 2023 HK\$'000 (Audited)	
Non-current assets			
Property, plant and equipment	11	36,854	39,538
Interests in associates		1,174	2,925
Cryptocurrencies	12	753	994
Deferred tax assets		2,599	1,826
		41,380	45,283
Current assets			
Inventories		10,235	7,913
Contract costs		1,471	1,799
Trade and other receivables	13	38,010	35,792
Amount due from an associate		400	–
Tax recoverable		3,396	2,833
Pledged bank deposits		4,772	4,629
Restricted bank deposits		8,939	–
Bank balances and cash		9,027	22,000
		76,250	74,966
Current liabilities			
Trade and other payables	14	37,759	22,489
Interest-bearing borrowings and bank overdrafts		4,402	5,204
Lease liabilities		4,008	1,729
		41,169	29,422
Net current assets		30,081	45,544
Total assets less current liabilities		71,461	90,827

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December 2023 HK\$'000 (Unaudited)	At 30 June 2023 HK\$'000 (Audited)
Non-current liabilities			
Trade and other payables	14	6,125	13,945
Interest-bearing borrowings and bank overdrafts		–	277
Lease liabilities		1,079	2,332
		7,204	16,554
NET ASSETS			
		64,257	74,273
Capital and reserves			
Share capital	15	6,000	6,000
Reserves		57,891	67,916
Equity attributable to equity holders of the Company		63,891	73,916
Non-controlling interests		366	357
TOTAL EQUITY			
		64,257	74,273

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2023

	Attributable to equity holders of the Company								
	Share capital (Note 15) HK\$'000	Reserves					Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
		Share premium HK\$'000	Merger reserve HK\$'000	Statutory reserve HK\$'000	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	-	-	-	-	-	17,375	17,375	22	17,397
Other comprehensive income for the period: <i>Items that may be reclassified subsequently to profit or loss:</i>									
Exchange difference arising on translation of foreign operations	-	-	-	-	1,699	-	1,699	-	1,699
Total comprehensive income for the period	-	-	-	-	1,699	17,375	19,074	22	19,096
At 31 December 2022 (unaudited)	6,000	89,085	(31,712)	-	(2,928)	14,295	74,740	265	75,005
At 1 July 2023 (audited)	6,000	89,085	(31,712)	3,441	(6,527)	13,629	73,916	357	74,273
(Loss) Profit for the period	-	-	-	-	-	(11,024)	(11,024)	5	(11,019)
Other comprehensive income for the period: <i>Items that may be reclassified subsequently to profit or loss:</i>									
Exchange difference arising on translation of foreign operations	-	-	-	-	999	-	999	4	1,003
Total comprehensive income (expenses) for the period	-	-	-	-	999	(11,024)	(10,025)	9	(10,016)
Transactions with owner <i>Contributions and distributions</i>									
Transfer to statutory reserve	-	-	-	3	-	(3)	-	-	-
Total transaction with owners	-	-	-	3	-	(3)	-	-	-
At 31 December 2023 (unaudited)	6,000	89,085	(31,712)	3,444	(5,528)	2,602	63,891	366	64,257

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 December	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
OPERATING ACTIVITIES		
Cash used in operations	(5,788)	(7,862)
Income tax paid	(315)	(510)
Net cash used in operating activities	(6,103)	(8,372)
INVESTING ACTIVITIES		
Interest received	230	181
Purchase of property, plant and equipment	(4,708)	(1,673)
Purchase of cryptocurrencies (Placement) Withdrawal of pledged bank deposits	–	(1,000)
	(80)	38
Proceed from disposal of property, plant and equipment	202	–
Net cash used in investing activities	(4,356)	(2,454)
FINANCING ACTIVITIES		
Interest paid	(230)	(280)
Repayment of interest-bearing borrowings	(25)	(22)
Repayment of lease liabilities	(1,407)	(895)
Net cash used in financing activities	(1,662)	(1,197)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 December	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net decrease in cash and cash equivalents	(12,121)	(12,023)
Cash and cash equivalents at the beginning of the reporting period	16,844	44,480
Effect of foreign exchange rate change, net	207	(814)
Cash and cash equivalents at the end of the reporting period	4,930	31,643
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	9,027	34,377
Bank overdrafts	(4,097)	(2,734)
	4,930	31,643

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 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 of Hong Kong Limited (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; (iii) electronic commerce (“**E-Commerce**”) services; and (iv) online game Internet Protocol (IP) authorisation management 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 interim report.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 December 2023 (the “**Interim 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 Interim Consolidated Financial Statements also comply with the applicable disclosure requirements of the Rule Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”).

The Interim 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.

2. BASIS OF PREPARATION (CONTINUED)

The preparation of the Interim 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 Interim 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 statement 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 Interim 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 Interim 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 Interim 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

The new/revised IFRSs does not have any material effect on the amounts reported and/or disclosures set out in the Interim 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 Interim 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2023

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;
- (ii) E-Commerce; and
- (iii) Online game IP authorisation management.

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 INTERIM
FINANCIAL STATEMENTS**

For the six months ended 31 December 2023

3. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the CODM of the Company for the reportable segments for the six months ended 31 December 2023 and 2022 is as follows:

	Network support services and network connectivity services HK\$'000 (Unaudited)	E-Commerce HK\$'000 (Unaudited)	Online game IP authorisation management HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Six months ended 31 December 2023				
Primary geographical markets				
Malaysia	35,239	-	-	35,239
The PRC	1,082	8,138	6,215	15,435
Reportable segment revenue	36,321	8,138	6,215	50,674
Reportable segment (loss) profit	(4,541)	(2,660)	29	(7,172)
Six months ended 31 December 2022				
Primary geographical markets				
Malaysia	33,058	-	-	33,058
The PRC	1,468	32,025	-	33,493
Reportable segment revenue	34,526	32,025	-	66,551
Reportable segment (loss) profit	(4,910)	24,283	-	19,373

Reconciliation of reportable segment results

	Six months ended 31 December	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Reportable segment (loss) profit	(7,172)	19,373
Unallocated income	3	137
Unallocated expenses	(4,438)	(2,613)
(Loss) Profit before tax	(11,607)	16,897

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2023

4. REVENUE

	Three months ended 31 December		Six months ended 31 December	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue from contracts with customers within IFRS 15				
Advertising income	3,965	–	8,091	–
Online game IP authorisation management	6,215	–	6,215	–
Sales of E-Commerce	21	148	47	348
Sales of hardware	1,455	1,227	1,805	2,020
Subscription fee	–	15,507	–	31,677
Rendering of services				
– On-site installation of hardware	684	202	1,161	519
– Network management and security services	2,118	1,578	5,031	2,726
– Network connectivity services	9,064	12,638	24,543	25,996
	23,522	31,300	46,893	63,286
Revenue from other sources				
Revenue from lease of hardware under operating lease with fixed lease payments	2,103	1,426	3,781	3,265
	25,625	32,726	50,674	66,551
Timing of revenue recognition under IFRS 15				
At a point in time	11,656	1,375	16,158	2,368
Over time	11,866	29,925	30,735	60,918
	23,522	31,300	46,893	63,286

**NOTES TO CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**
For the six months ended 31 December 2023

5. OTHER INCOME

	Three months ended 31 December		Six months ended 31 December	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest income from bank deposits	47	92	98	181
Government subsidies (Note)	2	4	2	44
Others	48	16	237	19
	97	112	337	244

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 31 December		Six months ended 31 December	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	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)	-
Reversal of impairment loss on trade receivables, net	-	139	-	139
Foreign exchange gain (loss), net	72	147	(2)	225
	72	286	186	364

NOTES TO CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS

For the six months ended 31 December 2023

7. (LOSS) PROFIT BEFORE TAX

This is stated after charging:

	Three months ended 31 December		Six months ended 31 December	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Finance costs				
Interest expenses on interest-bearing borrowings and bank overdrafts	61	70	117	165
Interest expenses on lease liabilities	56	55	113	115
	117	125	230	280
Staff costs (including directors' emoluments)				
Salaries, discretionary bonus, allowances and other benefits in kind	5,965	5,180	12,893	10,595
Contributions to defined contribution plans	765	564	1,741	1,176
	6,730	5,744	14,634	11,771
Other items				
Amortisation of contract costs	233	274	476	575
Cost of inventories	1,503	1,436	1,747	1,937
Depreciation of property, plant and equipment	5,115	4,602	10,216	9,242
(Reversal of impairment loss of cryptocurrencies)	(316)	–	241	–
Research and development costs (Note)	2,437	1,698	4,962	2,909

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 INTERIM
FINANCIAL STATEMENTS
For the six months ended 31 December 2023

8. INCOME TAX CREDIT

	Three months ended 31 December		Six months ended 31 December	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current tax				
Malaysia Corporate Income Tax ("CIT"):				
Current period	22	(70)	48	19
Under provision in prior year	-	108	19	16
PRC Enterprise Income Tax ("EIT")	2	-	101	-
	24	38	168	35
Deferred tax				
Change in temporary differences	(314)	(263)	(756)	(535)
Total income tax credit	(290)	(225)	(588)	(500)

The Group entities established in the Cayman Islands and the British Virgin Islands (the "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 six months ended 31 December 2023 and 2022.

Malaysia CIT is calculated at the rate of 24% of the Group's estimated assessable profits arising from Malaysia during the six months 31 December 2023 and 2022. Malaysia incorporated entities with paid-up capital of Malaysian Ringgit ("RM") 2.5 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 six months 31 December 2023 and 2022.

The Group's subsidiaries established in the PRC are subject to PRC 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.

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9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 31 December 2023 (*Six months ended 31 December 2022: Nil*).

10. (LOSS) EARNINGS PER SHARE

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

	Three months ended 31 December		Six months ended 31 December	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	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	(8,691)	8,293	(11,024)	17,375
	Number of shares		Number of shares	
	2023	2022	2023	2022
Weighted average number of ordinary shares for basic and diluted earnings (loss) per share calculation	600,000,000	600,000,000	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 six months ended 31 December 2023 and 2022.

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For the six months ended 31 December 2023

11. PROPERTY, PLANT AND EQUIPMENT

- (a) During the six months ended 31 December 2023, the Group acquired items of property, plant and equipment with a cost of approximately HK\$4,708,000 (*Six months ended 31 December 2022: approximately HK\$1,673,000*). Items of property, plant and equipment with a total carrying amount of approximately HK\$14,000 (*Six months ended 31 December 2022: approximately HK\$5,000*) were disposed or written-off during the six months ended 31 December 2023.
- (b) During the six months ended 31 December 2023, the Group entered into leases for the use of two years with the right-of-use assets amounted to approximately HK\$2,237,000 (*Six months ended 31 December 2022: approximately HK\$1,369,000*).

12. CRYPTOCURRENCIES

	At 31 December 2023 HK\$'000 (Unaudited)	At 30 June 2023 HK\$'000 (Audited)
XDagger		
At the beginning of the reporting period	994	–
Additions	–	1,000
Impairment loss	(241)	(6)
At the end of the reporting period	753	994

On 30 October 2022, the Group purchased a total of approximately 8,353,000 units of XDAG (XDagger) on the cryptocurrency trading platform in open market at an aggregate consideration of approximately HK\$1,000,000.

The Group carries out impairment test for cryptocurrencies with indefinite useful lives by comparing their recoverable amounts to their carrying amounts at the end of each reporting period. The recoverable amount of the cryptocurrencies are determined based on fair value less costs of disposal. In determining the fair values, the relevant available markets are identified by the Group, and the Group consider accessibility to, and activity within those markets in order to identify the principal cryptocurrency markets for the Group. The fair value of XDagger traded in active markets (such as trading and exchange platforms) is determined based on quoted market prices at the end of the reporting period.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2023

12. CRYPTOCURRENCIES (CONTINUED)

At 31 December 2023, the Group carried out an impairment test for XDagger. Based on the impairment test, the recoverable amount of XDagger was lower than the carrying amount, therefore an impairment loss of approximately HK\$241,000 was recognised in profit or loss by the Group for the six months ended 31 December 2023.

13. TRADE AND OTHER RECEIVABLES

	Note	At 31 December 2023 HK\$'000 (Unaudited)	At 30 June 2023 HK\$'000 (Audited)
Billed trade receivables			
– Goods and services		19,670	19,583
– Operating lease receivables		1,236	2,477
Less: Loss allowances		(415)	(369)
		20,491	21,691
Unbilled trade receivables (Note)			
– Goods and services		5,702	5,535
– Operating lease receivables		2,474	2,889
		8,176	8,424
Total trade receivables	13(a)	28,667	30,115
Other receivables		5,505	1,862
Refundable deposits		379	334
Prepayments		3,459	3,481
		38,010	35,792

Note: Unbilled trade receivables represent the remaining balances of receivables for services rendered but not yet billed at the end of reporting period.

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For the six months ended 31 December 2023

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

- (a) The Group normally grants credit period of 30 days, from the date of issuance of invoices, to its customers.

The ageing analysis of trade receivables, net of loss allowances, based on invoice date at the end of the reporting period is as follows:

	At 31 December 2023 HK\$'000 (Unaudited)	At 30 June 2023 HK\$'000 (Audited)
Within 30 days	5,500	7,496
31 to 60 days	3,045	2,842
61 to 90 days	2,093	4,176
Over 90 days	9,852	7,177
	20,490	21,691
Not yet billed	8,177	8,424
	28,667	30,115

At the end of the reporting period, the ageing analysis of the trade receivables, net of loss allowances, by due date is as follows:

	At 31 December 2023 HK\$'000 (Unaudited)	At 30 June 2023 HK\$'000 (Audited)
Not yet due	13,677	15,920
Past due:		
Within 30 days	3,045	2,842
31 to 60 days	2,093	4,176
61 to 90 days	1,365	1,253
Over 90 days	8,487	5,924
	14,990	14,195
	28,667	30,115

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14. TRADE AND OTHER PAYABLES

	Note	At 31 December 2023 HK\$'000 (Unaudited)	At 30 June 2023 HK\$'000 (Audited)
Trade payables to third parties	14(a)	8,945	4,374
Contract liabilities		13,863	12,379
Other payables			
Other payable	14(b)	18,743	14,671
Accrued expenses		2,333	4,482
Sales and services tax payable		–	528
		21,076	19,681
		43,884	36,434
Current		37,759	22,489
Non-current		6,125	13,945
		43,884	36,434

- (a) The trade payables are interest-free and with normal credit terms ranging from 30 to 60 days.

At the end of the reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	At 31 December 2023 HK\$'000 (Unaudited)	At 30 June 2023 HK\$'000 (Audited)
0 to 30 days	5,113	2,980
31 to 60 days	500	1,042
61 to 90 days	412	351
Over 90 days	2,920	1
	8,945	4,374

- (b) Other payable at 31 December 2023 and 30 June 2023 included amount due to a shareholder of HK\$9,000,000 which is unsecured, interest-free and repayable on 31 December 2024.

NOTES TO CONDENSED CONSOLIDATED INTERIM
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15. SHARE CAPITAL

	Number of shares	HK\$	HK\$'000
Ordinary share of HK\$0.01 each			
Authorised:			
At 30 June 2023 (audited) and 31 December 2023 (unaudited)	10,000,000,000	100,000,000	100,000
Issued and fully paid:			
At 30 June 2023 (audited) and 31 December 2023 (unaudited)	600,000,000	6,000,000	6,000

16. EVENT AFTER REPORTING PERIOD

Proposed Change of Company Name

Following the passing of a special resolution approving the proposed change of Company name at the extraordinary general meeting of the Company held on 8 February 2024 (the “**EGM**”), the proposed change of present English name of the Company from “Michong Metaverse (China) Holdings Group Limited” to “Byte Metaverse Holdings Limited” and the dual foreign name of “比特元宇宙控股有限公司” be adopted as the Chinese name of the Company in replace of its existing Chinese name of “米虫元宇宙（中國）控股集團有限公司” has been approved by the Shareholders. As at the date of this interim report, the application of change of English and Chinese name of the Company is still under process.

Details of the poll results of the EGM have been set out in the announcement of the Company dated 8 February 2024.

Obtainment of Trust or Company Service Provider Licence by an Associate

On 7 February 2024, Bitcoin World Custodian Limited (“**Bitcoin World Custodian**”), an associate in which the Company indirectly holds 49% of the issued equity interest, was notified by the Registry for Trust and Company Service Providers of the Companies Registry of Hong Kong (the “**Registry**”) that, the application for a trust or company service provider licence was approved and the trust or company service provider licence is granted to Bitcoin World Custodian.

As at the date of this interim report, Bitcoin World Custodian has not yet carried out any trust or company services business activities. More details are set out in the announcement of the Company dated 19 February 2024.

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; (iii) E-Commerce; and (iv) online game IP authorisation management services.

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. Based on the stable development on the E-Commerce business, the Group has developed a new business online game IP authorisation management services since November 2023.

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 six months ended 31 December 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\$8,138,000 or 16.1% of the total revenue of the Group for the six months ended 31 December 2023 (*Six months ended 31 December 2022: approximately HK\$32,025,000 or 48.2% 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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\$31,677,000 for the six months ended 31 December 2022 to nil for the six months ended 31 December 2023. As at 31 December 2023, the number of registered members of the App significantly increased to approximately 5,954,000 (*31 December 2022: approximately 531,000*).

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 six months ended 31 December 2023, the Group recognised advertising income at approximately HK\$8,091,000 (*Six months ended 31 December 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

During the six months ended 31 December 2023, the revenue from network support services and network connectivity services segment increased by approximately HK\$1,795,000 or 5.2% to approximately HK\$36,321,000 (*Six months ended 31 December 2022: approximately HK\$34,526,000*).

Revenue from the Malaysian market slightly increased by approximately HK\$2,181,000 or 6.6% to approximately HK\$35,239,000 for the six months ended 31 December 2023 (*Six months ended 31 December 2022: approximately HK\$33,058,000*). Despite the revenue was stable among two periods, gross profit margin in the Malaysian market gradually decreased over years to approximately 22.1% for the six months ended 31 December 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.

Online Game IP Authorisation Management Services

Based on the stable development on the E-Commerce business of the Group, the Group has developed a new business, online game IP authorisation management services since November 2023 by means of obtaining the sublicensing of the unofficial version of online game “Legend of Mir II” on Personal Computer (PC), which was granted by an independent third party. Through the sublicensing, the Group has generated revenue by IP authorisation of the unofficial version of “Legend of Mir II” and providing relevant IP management services. During the six months ended 31 December 2023, the Group generated revenue of approximately HK\$6,215,000 in this new business.

FUTURE PLANS AND 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.

Under the Securities and Futures Ordinance (the “**SFO**”) (Cap. 571) and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615), centralised virtual asset trading platforms carrying on their businesses in Hong Kong, or actively marketing their services to Hong Kong investors, are required to be licensed and regulated by the Securities and Futures Commission (the “**SFC**”). In response to the Licensing Handbook for Virtual Asset Trading Platform Operators (VATP Licensing Handbook) issued by the SFC in June 2023, the Group has allocated appropriate resources to comprehensively carry out technology research and development and compliance management preparations through Bitcoin World Technology in order to apply for an operating licence for VATP. Bitcoin World Technology will submit relevant applications to the SFC when conditions are ripe, with a view to participating in virtual asset trading market activities in the emerging financial innovation field in the future. On 7 February 2024, Bitcoin World Custodian, the wholly-owned subsidiary of Bitcoin World Technology, was notified by the Registry that, the trust or company service provider licence is granted to Bitcoin World Custodian. As at the date of this interim report, Bitcoin World Custodian has not carried out any trust or company services business activities yet.

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; (iii) E-Commerce business; and (iv) online game IP authorisation management services.

Our revenue decreased by approximately HK\$15,877,000 or 23.9% from approximately HK\$66,551,000 for the six months ended 31 December 2022 to approximately HK\$50,674,000 for the six months ended 31 December 2023. 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 six months ended 31 December 2023 (*Six months ended 31 December 2022: approximately HK\$31,677,000*); (ii) exploration of advertising income in the E-Commerce business, which contributed revenue of approximately HK\$8,091,000 for the six months ended 31 December 2023 (*Six months ended 31 December 2022: Nil*); and (iii) introduction of new business, online game IP authorisation management services during the six months ended 31 December 2023, which contributed revenue of approximately HK\$6,215,000 to the Group.

Cost of sales and services

Our cost of sales and services increased by approximately HK\$8,193,000 or 29.3% from approximately HK\$27,956,000 for the six months ended 31 December 2022 to approximately HK\$36,149,000 for the six months ended 31 December 2023, which was mainly attributable to the increase in the cost of authorisation from online game IP authorisation management services of approximately HK\$6,125,000 for the six months ended 31 December 2023 (*Six months ended 31 December 2022: Nil*) and increase in the cost of server fee in the PRC by approximately HK\$1,326,000 or 101.3% to approximately HK\$2,635,000 for the six months ended 31 December 2023 (*Six months ended 31 December 2022: approximately HK\$1,309,000*), which is in line with the increase of business activities and registered members in the App.

Gross profit margin

Our gross profit margin decreased from approximately 58.0% for the six months ended 31 December 2022 to approximately 28.7% for the six months ended 31 December 2023. The decrease was mainly due to (i) the suspension of paying membership scheme in the E-Commerce business, which the subscription fee dropped to nil for the six months ended 31 December 2023. The relevant revenue contributed approximately 47.6% of total revenue with gross profit margin of approximately 99.0% for the six months ended 31 December 2022; and (ii) introduction of online game IP authorisation management services during the six months ended 31 December 2023, which contributed approximately 12.3% of total revenue with a relatively lower gross profit margin at approximately 1.4% for the six months ended 31 December 2023.

Other income

Our other income mainly represented interest income from bank deposits, government subsidies and miscellaneous income. Other income increased by approximately HK\$93,000 or 38.1% from approximately HK\$244,000 for the six months ended 31 December 2022 to approximately HK\$337,000 for the six months ended 31 December 2023. Such increase was mainly attributable to the aggregate effect of (i) increase in miscellaneous income by approximately HK\$218,000 or 1,147.4%, including an one-off compensation from customer due to early termination of contract for the six months ended 31 December 2023 amounted to approximately HK\$188,000; and (ii) decrease in receipt of interest income from bank deposits by approximately HK\$83,000 or 45.9%.

Other gain and losses, net

Other gain, net decreased by approximately HK\$178,000 or 48.9% from approximately HK\$364,000 for the six months ended 31 December 2022 to approximately HK\$186,000 for the six months ended 31 December 2023. The decrease was attributable to the combined effect of (i) recognition of gain on disposal of property, plant and equipment of approximately HK\$197,000 for the six months ended 31 December 2023 (*Six months ended 31 December 2022: Nil*); (ii) none of reversal of impairment loss on trade receivables, net was recognised for the six months ended 31 December 2023 (*Six months ended 31 December 2022: approximately HK\$139,000*); and (iii) the recognition of foreign exchange loss, net at approximately HK\$2,000 for the six months ended 31 December 2023 (*Six months ended 31 December 2022: foreign exchange gain, net at approximately HK\$225,000*).

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\$2,381,000 or 84.2% from approximately HK\$2,828,000 for the six months ended 31 December 2022 to approximately HK\$5,209,000 for the six months ended 31 December 2023. Such increase was mainly attributable to the increase in staff costs for the sales team in the PRC by approximately HK\$3,277,000 or 280.6% to approximately HK\$4,445,000 for the six months ended 31 December 2023 (*Six months ended 31 December 2022: approximately HK\$1,168,000*). The increase in staff costs for the sales team in the PRC was in line with the increase in average headcount of salesperson and selling activities in the PRC.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately HK\$267,000 or 1.4% from approximately HK\$19,198,000 for the six months ended 31 December 2022 to approximately HK\$19,465,000 for the six months ended 31 December 2023. The fluctuation among all expenditures under administrative and other operating expenses remained stable between two periods.

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\$50,000 or 17.9% from approximately HK\$280,000 for the six months ended 31 December 2022 to approximately HK\$230,000 for the six months ended 31 December 2023. Interest expenses on interest-bearing borrowings and bank overdrafts decreased by approximately HK\$48,000 or 29.1% to approximately HK\$117,000 for the six months ended 31 December 2023 (*Six months ended 31 December 2022: approximately HK\$165,000*).

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\$1,751,000 (*Six months ended 31 December 2022: Nil*).

Income tax credit

Income tax credit increased by approximately HK\$88,000 or 17.6% from approximately HK\$500,000 for the six months ended 31 December 2022 to approximately HK\$588,000 for the six months ended 31 December 2023. The increase was mainly attributable to the combined effect of (i) recognition of the PRC EIT at approximately HK\$101,000 for the six months ended 31 December 2023 (*Six months ended 31 December 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\$221,000 or 41.3% to approximately HK\$756,000 for the six months ended 31 December 2023 (*Six months ended 31 December 2022: approximately HK\$535,000*).

(Loss) Profit for the period

Our loss for the period was approximately HK\$11,019,000 for the six months ended 31 December 2023 as compared to profit of approximately HK\$17,397,000 for the six months ended 31 December 2022. The turnaround was mainly due to (i) the decrease in revenue and gross profit margin, mainly due to the suspension of paying membership scheme in the E-Commerce business; and (ii) the increase in selling expenses, mainly due to expansion of the Group's business in the PRC, as analysed above.

FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

The Group has funded its liquidity and capital requirements primarily through capital contributions from Shareholders, interest-bearing borrowings, internally generated cash flow and proceeds received from the Shares Offer.

As at 31 December 2023, the Group had bank balances and cash of approximately HK\$9,027,000 (*30 June 2023: approximately HK\$22,000,000*), pledged bank deposits of approximately HK\$4,772,000 (*30 June 2023: approximately HK\$4,629,000*), and restricted bank deposits of approximately HK\$8,939,000 (*30 June 2023: Nil*).

As at 31 December 2023, the Group recorded interest-bearing borrowings and bank overdrafts of approximately HK\$4,402,000 (*30 June 2023: approximately HK\$5,481,000*) and lease liabilities of approximately HK\$5,087,000 (*30 June 2023: approximately HK\$4,061,000*).

As at 31 December 2023, the Group's current assets and current liabilities were approximately HK\$76,250,000 (*30 June 2023: approximately HK\$74,966,000*) and approximately HK\$41,169,000 (*30 June 2023: approximately HK\$29,422,000*), respectively. As at 31 December 2023, the current ratio, being the ratio of current assets to current liabilities, was approximately 1.9 times (*30 June 2023: approximately 2.5 times*).

As at 31 December 2023, we had unutilised banking facilities for short-term financing of approximately HK\$5,365,000 (30 June 2023: approximately HK\$4,354,000).

The gearing ratio is calculated based on the amount of total interest-bearing borrowings and bank overdrafts and lease liabilities divided by total equity. The gearing ratio of the Group as at 31 December 2023 was approximately 14.8% (30 June 2023: approximately 12.8%). The increase in gearing ratio was mainly attributable to the decrease in total equity.

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 31 December 2023, the capital structure of the Group comprised mainly of issued share capital and reserves. As at 31 December 2023, equity attributable to equity holders of the Company amounted to approximately HK\$63,891,000 (30 June 2023: approximately HK\$73,916,000).

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and had maintained a healthy liquidity position throughout the reporting period. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirement from time to time.

FOREIGN EXCHANGE EXPOSURE

The exposure of the Group's transactional currency to foreign currency risk was minimal as most of the financial assets and liabilities held by group entities of the Group are denominated in the respective functional currency of the respective group entities. The Group currently does not have a foreign currency hedging policy. However, the Directors will continue to monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any significant contingent liabilities (30 June 2023: Nil).

PLEDGE OF ASSETS

As at 31 December 2023, the Group's interest-bearing borrowings and bank overdrafts and lease liabilities are secured by charges over the following assets of the Group:

	As at 31 December 2023 HK\$'000	As at 30 June 2023 HK\$'000
Motor vehicles	1,168	1,405
Pledged bank deposits	4,772	4,629
	5,940	6,034

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2023 (*Six months ended 31 December 2022: Nil*).

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

Save as the acquisition of a subsidiary and investment in an associate disclosed in page 39 of this interim report, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies and significant investments during the six months ended 31 December 2023.

SIGNIFICANT EVENTS

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\$8,837,000) and RMB36,170,000 (equivalent to approximately HK\$39,954,000), respectively.

Upon verification by the Company, the bank deposits under the name of Mebugs Shenzhen and Michong Wuhan are seized and frozen by Yuanzhou District Court in the amount of RMB8,000,000 (equivalent to approximately HK\$8,837,000) and RMB92,300 (equivalent to approximately HK\$102,000), 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).

* For identification purpose only

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

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

Up to the date of this interim 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.

Appointment of a Non-executive Director and change in composition of the Audit Committee

With effect from 4 December 2023, Ms. Jin Yangyang (金洋洋) (“**Ms. Jin**”) has been appointed as a Non-executive Director and a member of the Audit Committee (the “**Appointments**”). Details of the Appointments are set out in the Company’s announcement dated 4 December 2023.

Acquisition of a subsidiary

On 15 December 2023, the Company has acquired the entire equity interest of Bright Byte Holdings Limited (“**Bright Byte Holdings**”) from Mr. Mung Kin Keung at a consideration of HK\$50,000 (the “**Acquisition**”). Bright Byte Holdings owns Intelligent Digital Human Technology (Shenzhen) Limited* (智慧數字人科技(深圳)有限公司, “**Intelligent Digital Human**”) through Global Mastermind Trade Development Limited (“**Global Mastermind**”).

Intelligent Digital Human is a company incorporated with authorities to provide artificial intelligence basic software development, artificial intelligence theory and algorithm software development, artificial intelligence innovation and start-up service platform, animation game development, virtual reality equipment manufacturing, data processing and storage support services.

As at the date of the Acquisition and as at the date of this interim report, Bright Byte Holdings, Global Mastermind and Intelligent Digital Human remain dormant and neither hold any assets nor incur any liabilities. For further details of the Acquisition, please refer to the announcement of the Company dated 20 December 2023.

Investment in an associate

On 29 September 2023, Goodway Max Limited, the wholly-owned subsidiary of the Company invested in 49.0% of allotted share capital of Bitcoin World Technology Limited (“**Bitcoin World Technology**”), a Hong Kong company with limited liability. Bitcoin World Technology is an investment holding company which has a wholly-owned subsidiary, Bitcoin World Custodian. Bitcoin World Custodian is a company incorporated in Hong Kong with limited liability, which obtained a trust or company service provider licence licensed by the Registry.

As at the date of this interim report, Bitcoin World Custodian has not yet carried out any trust or company services business activities.

* For identification purpose only

CAPITAL COMMITMENTS

As at 31 December 2023, the Group had capital commitments contracted but not provided for further contribution to subsidiaries on paid in capital committed of approximately HK\$41,131,000 (30 June 2023: approximately HK\$30,301,000).

EVENT AFTER REPORTING PERIOD

Save as disclosed in Note 16 to the Interim Consolidated Financial Statements, up to the date of this interim report, the Group does not have event after reporting period.

USE OF PROCEEDS FROM THE SHARE OFFER

The Shares were listed on GEM of the Stock Exchange on 9 December 2019. The proceeds received from the issuance of 150 million ordinary shares (the “**Share Offer**”) by Share Offer at HK\$0.40 per offer share was HK\$60.0 million. As set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 25 November 2019 (the “**Prospectus**”), the net proceeds after deduction of underwriting fees and related listing expenses were approximately HK\$28.0 million (the “**Net Proceeds**”) and the Company intends to use the Net Proceeds from the Share Offer for the following purposes:

Approximate amount of net proceeds	Business strategies
HK\$4.6 million or 16.4%	Implement cloud-based data content management solution
HK\$11.0 million or 39.3%	Acquire additional hardware and software to provide cloud-based internet security services
HK\$6.3 million or 22.5%	Establish a disaster recovery centre and becoming a holder of network service provider licence
HK\$1.4 million or 5.0%	Establish a branch office and a backup data centre in Kuala Lumpur
HK\$2.7 million or 9.6%	Expand and strengthening our manpower to cater for the anticipated expansion plans
HK\$2.0 million or 7.2%	Promote our business to capture more market share in the industry

An analysis of the utilisation of the Net Proceeds up to 31 December 2023 is set out below:

Business Strategies	Planned use of the net proceeds up to 31 December 2023 HK\$'000	Actual amount utilised up to 31 December 2023 HK\$'000	Unutilised net proceeds up to 31 December 2023 HK\$'000
Implement cloud-based data content management solution	4,615	4,250	365
Acquire additional hardware and software to provide cloud-based internet security services	11,012	11,012	-
Establish a disaster recovery centre and a backup data centre and becoming a holder of network service provider license	6,267	6,267	-
Establish a branch office in Kuala Lumpur	1,413	756	657
Expand and strengthening our manpower to cater for the anticipated expansion plans	2,645	2,645	-
Promote our business to capture more market share in the industry	2,048	2,048	-
	28,000	26,978	1,022

The Directors will continue to examine the Group's business objectives and may change or modify the plans against the changing market conditions to pursuit business growth of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

The net proceeds have not been fully utilised up to 31 December 2023 as previously disclosed in the Prospectus because of the reasons elaborated below:

1. As for the implementation of cloud-based data content management solution, the unutilised portion amounted to approximately HK\$365,000 as at 31 December 2023 was due to lower-than-expected hardware and software maintenance cost, the Group plans to use the unutilised portion for maintenance cost during the year ending 30 June 2024; and
2. As for the establishment of a branch office in Kuala Lumpur, the unutilised portion amounted to approximately HK\$693,000 as at 31 December 2023 due to lower-than-expected office rent for the branch office in Kuala Lumpur, the Group plans to use the unutilised portion to rent a branch office in Kuala Lumpur during the year ending 30 June 2024.

As at 31 December 2023, the Net Proceeds of approximately HK\$1,022,000 had not yet been utilised as planned (the “**Unutilised Net Proceeds**”), but is expected to be utilised during the financial year ending 30 June 2024. The Group will continue to apply the Net Proceeds from the Listing in the same manner as specified in the section headed “Future Plans and Use of Proceeds” set out in the Prospectus.

All the Unutilised Net Proceeds have been placed in licensed banks in Hong Kong and Malaysia.

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The future plan and the planned amount of usage of Net Proceeds as stated in the “Future Plans and Use of Proceeds” were based on the best estimation and assumption of future market conditions at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group’s business and the industry. An analysis comparing the business strategies stated in the Prospectus with the Group’s actual business progress is set out below:

Business strategies	Actual business progress up to 31 December 2023
Implement cloud-based data content management solution	Partly utilised for implementing the cloud-based data content management solution and the remaining will be utilised for hardware and software maintenance during the year ending 30 June 2024.
Acquire additional hardware and software to provide cloud-based internet security services	Utilised for implementing cloud-based internet security services and for hardware and software maintenance.
Establish a disaster recovery centre and becoming a holder of network service provider licence	Utilised for purchasing the hardware and software required for establishing a disaster recovery centre.
Establish a branch office and a backup data centre in Kuala Lumpur	Partly utilised for paying the rental of the new branch office since February 2020. The remaining amount will be utilised for paying the rental of the new branch office in the year ending 30 June 2024.
Expand and strengthening our manpower to cater for the anticipated expansion plans	Utilised for recruiting two IT specialist engineers, one service delivery manager and two senior sales executive.
Promote our business to capture more market share in the industry	Utilised for expanding and exploring more effective online marketing strategies via LinkedIn, Facebook and Google ad and by redesigning the Company’s website. Partly utilised in promoting the E-Commerce business in the PRC.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had a total of 128 employees (*31 December 2022: 133 employees*). The staff costs (including Directors' emoluments) were approximately HK\$14,634,000 for the six months ended 31 December 2023 (*Six months ended 31 December 2022: approximately HK\$11,771,000*). The remuneration package of the employees is determined by various factors such as their qualifications, working experience and job performance, the market condition, industry practice and applicable employment law. Discretionary bonus based on job performance will be paid to employees as recognition of and reward for their contributions.

To provide incentive to the eligible participants (including Directors and employees), the remuneration package has been extended to include share award under the Share Award Scheme and share options under the Share Option Scheme. Details of the Share Award Scheme and the Share Option Scheme are set out in the paragraph headed "Share Schemes" in the "Other Information" section of this interim report.

The Group encourages and subsidises employees to enrol and/or participate in development or training courses in support of their career and professional development. The Group also provides inhouse training courses for the personal development of the employees.

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

As at 31 December 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 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 in 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 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, 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:

- The letter "L" demonstrates long position.
- 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, 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.

OTHER INFORMATION

(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 31 December 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 Division 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 six months ended 31 December 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, or were any such rights exercised by them; or was the Company, its holding company, or 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 31 December 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 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

OTHER INFORMATION

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 31 December 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 "**April 2023 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:

(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 51 to 54 of this interim 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 interim 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 management 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**”). As at 31 December 2023, the Share Award Scheme has no service provider sublimit under Chapter 23 of the GEM Listing Rules (1 July 2023: Nil). No Award has been granted, exercised, cancelled or lapsed under the Share Award Scheme since the Adoption Date and at the date of this interim report.

Share Option Scheme

The Company has terminated the share option scheme that 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 April 2023 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:

OTHER INFORMATION

(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 interim 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.

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(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 interim report.

AUDIT COMMITTEE

As at 31 December 2023, the Audit Committee has four members comprising three Independent Non-executive Directors, namely Mr. Ng Der Sian (Chairman), Dr. Tsoi Chi Chuen Cheney and Ms. Zheng Li Ping; and one Non-executive Director, namely Ms. Jin Yangyang. 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 C1 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 interim financial results of the Group for the six months ended 31 December 2023 and this interim report and is of the opinion that the preparation of such statements complied 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 C1 of the GEM Listing Rules. The Company has adopted and complied with, where applicable, the CG Code during the six months ended 31 December 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 the 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 six months ended 31 December 2023.

OTHER INFORMATION

COMPETING INTERESTS

During the six months ended 31 December 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, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2023.

FORWARD LOOKING STATEMENTS

This interim 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, 23 February 2024

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

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