



Michong Metaverse (China) Holdings Group Limited

(Formerly known as Nomad Technologies Holdings Limited)

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 8645

2022/2023
First Quarterly Report

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*This report, for which the directors (the “**Directors**”) of Michong Metaverse (China) Holdings Group Limited (formerly known as Nomad Technologies Holdings Limited) (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively referred to as the “**Group**”). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Chen Youchun
Mr. Ng Der Sian
Ms. Zheng Li Ping

AUDIT COMMITTEE

Mr. Ng Der Sian (*Chairman*)
Mr. Chen Youchun
Ms. Zheng Li Ping

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Chen Youchun (*Chairman*)
Mr. Ng Der Sian
Mr. Yu Decai

COMPANY SECRETARY

Ms. Wong Po Lam (CPA)

AUTHORISED REPRESENTATIVES

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

COMPLIANCE OFFICER

Mr. Yu Decai

COMPLIANCE ADVISER

Pulsar Capital Limited
Unit 1504, 15/F
Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

AUDITOR

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

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Melaka, Malaysia

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL BANKERS

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

China Zheshang Bank Co., Ltd
Wuhan Branch
No. 296 Xinhua Road
Jiangnan District
Wuhan, the People's Republic of China

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

8645

WEBSITE OF THE COMPANY

www.metamichong.com

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- The Group's revenue for the three months ended 30 September 2022 amounted to approximately HK\$33,825,000, representing an increase of approximately HK\$18,379,000 or 119.0% as compared with that of the corresponding period in the prior period.
- Gross profit for the three months ended 30 September 2022 increased by approximately HK\$16,559,000 or 370.1% to approximately HK\$21,033,000.
- Earnings per share of the Company for the three months ended 30 September 2022 was approximately HK\$1.51 cents (*Three months ended 30 September 2021: loss per share of approximately HK\$0.21 cents*).
- The Directors do not recommend the payment of any dividend for the three months ended 30 September 2022 (*Three months ended 30 September 2021: Nil*).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Three months ended 30 September	
	Notes	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited) (Restated)
Revenue	4	33,825	15,446
Cost of sales and services		(12,792)	(10,972)
Gross profit		21,033	4,474
Other income	5	132	43
Other gain and losses	6	78	164
Selling expenses		(2,273)	(387)
Administrative and other operating expenses		(9,095)	(6,054)
Finance costs	7	(155)	(41)
Profit (Loss) before tax	7	9,720	(1,801)
Income tax credit (expenses)	8	275	(46)
Profit (Loss) for the period		9,995	(1,847)
Other comprehensive expenses for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(1,674)	(532)
Total comprehensive income (expenses) for the period		8,321	(2,379)
Profit (Loss) for the period attributable to:			
Equity holders of the Company		9,082	(1,252)
Non-controlling interests		913	(595)
		9,995	(1,847)
Total comprehensive income (expenses) attributable to:			
Equity holders of the Company		7,449	(1,780)
Non-controlling interests		872	(599)
		8,321	(2,379)
Earnings (Loss) per share for profit (loss) attributable to equity holders of the Company			
Basic and diluted	9	1.51 cents	(0.21) cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 September 2022

	Attributable to equity holders of the Company							Total equity HK\$'000
	Reserves					Total HK\$'000	Non- controlling interests HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Foreign exchange reserve HK\$'000	Accumulated profits HK\$'000			
At 1 July 2021 (audited) (restated)	6,000	89,085	(31,712)	(1,254)	34,960	97,079	411	97,490
Loss for the period	-	-	-	-	(1,252)	(1,252)	(595)	(1,847)
Other comprehensive expenses for the period: <i>Items that may be reclassified subsequently to profit or loss:</i> Exchange difference arising on translation of foreign operations	-	-	-	(528)	-	(528)	(4)	(532)
Total comprehensive expenses for the period	-	-	-	(528)	(1,252)	(1,780)	(599)	(2,379)
At 30 September 2021 (unaudited) (restated)	6,000	89,085	(31,712)	(1,782)	33,708	95,299	(188)	95,111
At 1 July 2022 (audited) (restated)	6,000	89,085	(31,712)	(4,627)	(3,080)	55,666	243	55,909
Profit for the period	-	-	-	-	9,082	9,082	913	9,995
Other comprehensive expenses for the period: <i>Items that may be reclassified subsequently to profit or loss:</i> Exchange difference arising on translation of foreign operations	-	-	-	(1,633)	-	(1,633)	(41)	(1,674)
Total comprehensive income for the period	-	-	-	(1,633)	9,082	7,449	872	8,321
At 30 September 2022 (unaudited)	6,000	89,085	(31,712)	(6,260)	6,002	63,115	1,115	64,230

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 September 2022

1. GENERAL INFORMATION

Michong Metaverse (China) Holdings Group Limited (*formerly known as Nomad Technologies Holdings 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; and (iii) electronic commerce (“**E-Commerce**”) services.

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the three months ended 30 September 2022 (the “**Unaudited Condensed Consolidated Financial Statements**”) have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”), which collective term includes all applicable individual IFRSs, International Accounting Standards (“**IASs**”) and Interpretations issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. The Unaudited Condensed Consolidated Financial Statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”).

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

NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

For the three months ended 30 September 2022

2. BASIS OF PREPARATION (CONTINUED)

Change in presentation currency

Prior to 1 July 2022, Malaysian Ringgit (“**RM**”) was regarded as the presentation currency of the Company and the consolidated financial statements were also presented in RM. Having considered that the Company’s shares (the “**Shares**”) are listed on the Stock Exchange and its stock is traded in HK\$, the Board believes that it is more appropriate to use HK\$ as the presentation currency as it enables the shareholders (the “**Shareholders**”) and potential investors of the Company to have a more accurate picture of the Group’s financial performance. The change in presentation currencies was accounted for in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates. Comparative figures have been re-stated to reflect the change in the Group’s presentation currency.

For the purpose of re-presentation of the consolidated financial statements of the Group from RM to HK\$, the assets and liabilities are translated into HK\$ at the closing rate as of the respective reporting dates. Income and expenses are translated at the average exchange rates for the respective periods/years. Share capital, share premium and reserves are translated at the exchange rate at the date when the respective amounts were determined (i.e. historical exchange rates).

2. BASIS OF PREPARATION (CONTINUED)

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

The Unaudited Condensed Consolidated Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial performance of the Group since 1 July 2022 and, therefore, do not include all of the information required for full set of financial statements prepared in accordance with the IFRSs. They shall be read in conjunction with the audited consolidated financial statements of the Group for the year ended 30 June 2022 included in the annual report of the Company dated 23 September 2022 (the “**Annual Report 2021/2022**”).

The Unaudited Condensed Consolidated Financial Statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as appropriate. Except for changes in accounting policies resulting from adoption of new or revised IFRSs, the accounting policies and methods of computation applied in the preparation of the Unaudited Condensed Consolidated Financial Statements are consistent with the Annual Report 2021/2022.

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 2022 for the preparation of the Group’s Unaudited Condensed Consolidated Financial Statements.

Amendments to IAS 16	Proceeds before Intended Use
Amendments to IAS 37	Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Annual Improvements to IFRSs	2018-2020 Cycle

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

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

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

NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

For the three months ended 30 September 2022

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; and
- (ii) E-Commerce.

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

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

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

NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

For the three months ended 30 September 2022

3. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the CODM of the Company for the reportable segments for the three months ended 30 September 2022 and 2021 is as follows:

	Network support services and network connectivity services HK\$'000 (Unaudited)	E-Commerce HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Three months ended 30 September 2022			
Primary geographical markets			
Malaysia	16,632	-	16,632
The PRC	823	16,370	17,193
Reportable segment revenue	17,455	16,370	33,825
Reportable segment (loss) profit	(1,126)	11,837	10,711
Three months ended 30 September 2021 (restated)			
Primary geographical markets			
Malaysia	15,446	-	15,446
The PRC	-	-	-
Reportable segment revenue	15,446	-	15,446
Reportable segment loss	(1,211)	-	(1,211)

Reconciliation of reportable segment results

	Three months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited) (Restated)
Reportable segment profit (loss)	10,711	(1,211)
Unallocated income	160	223
Unallocated expenses	(1,151)	(813)
Profit (loss) before tax	9,720	(1,801)

NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

For the three months ended 30 September 2022

4. REVENUE

	Three months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited) (Restated)
Revenue from contracts with customers within IFRS 15		
Sales in E-Commerce	200	–
Sales of hardware	793	1,077
Subscription fee	16,170	–
Rendering of services		
– On-site installation of hardware	317	536
– Network management and security services	1,148	1,077
– Network connectivity services	13,358	10,663
	31,986	13,353
Revenue from other sources		
Revenue from lease of hardware under operating lease with fixed lease payments	1,839	2,093
	33,825	15,446
Timing of revenue recognition under IFRS 15		
At a point in time	993	1,077
Over time	30,993	12,276
	31,986	13,353

NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
For the three months ended 30 September 2022

5. OTHER INCOME

	Three months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited) (Restated)
Interest income from bank deposits	89	39
Government subsidies (<i>Note</i>)	40	–*
Others	3	4
	132	43

* Represent amount less than HK\$1,000

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

	Three months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited) (Restated)
Reversal of impairment loss on trade receivables, net	–	69
Foreign exchange gain, net	78	95
	78	164

NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

For the three months ended 30 September 2022

7. PROFIT (LOSS) BEFORE TAX

This is stated after charging:

	Three months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
<i>Finance costs</i>		
Interest expenses on interest-bearing borrowings and bank overdrafts	95	20
Interest expenses on lease liabilities	60	21
	155	41
<i>Staff costs (including Directors' emoluments)</i>		
Salaries, discretionary bonus, allowances and other benefits in kind	5,415	2,714
Contributions to defined contribution plans	612	334
	6,027	3,048
<i>Other items</i>		
Amortisation of contract costs	301	389
Cost of inventories	501	719
Depreciation of property, plant and equipment	4,640	3,579
Research and development costs (<i>Note</i>)	1,211	–

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

8. INCOME TAX (CREDIT) EXPENSES

	Three months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Current tax		
Malaysia Corporate Income Tax (“CIT”):		
Current period	89	263
Over provision in prior year	(92)	–
	(3)	263
Deferred tax		
Change in temporary differences	(272)	(217)
Total income tax (credit) expenses for the period	(275)	46

The Group entities established in the Cayman Islands and the British Virgin Islands are exempted from income tax.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong during the three months ended 30 September 2022 and 2021.

Malaysia CIT is calculated at the rate of 24% of the Group’s estimated assessable profits arising from Malaysia during the three months 30 September 2022 and 2021. Malaysia incorporated entities with paid-up capital of RM2.5 million or less enjoy tax rate of 17% on the first RM600,000 and remaining balance of the estimated assessable profits at tax rate of 24% for the three months 30 September 2022 and 2021.

The Group’s subsidiaries established in the PRC are subject to PRC enterprise income tax (“EIT”) at 25% of the estimated assessable profits for the year based on the existing legislation, interpretations and practices in respect thereof. Due to the utilisation of the unused tax losses arising in the PRC, which was brought forward from the year ended 30 June 2022, no provision for EIT has been made for the three months ended 30 September 2022.

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

NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

For the three months ended 30 September 2022

9. EARNINGS (LOSS) PER SHARE

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

	Three months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Profit (Loss) for the period attributable to equity holders of the Company, used in basic and diluted earnings (loss) per share calculation	9,082	(1,252)
	Number of shares	
	2022	2021
Weighted average number of ordinary shares for basic and diluted earnings (loss) per share calculation	600,000,000	600,000,000

Diluted earnings (loss) per share is the same as basic earnings (loss) per share as there are no dilutive potential ordinary shares in existence during the three months ended 30 September 2022 and 2021.

10. DIVIDENDS

The Directors do not recommend the payment of any dividend for the three months ended 30 September 2022 (*Three months ended 30 September 2021: Nil*).

11. EVENT AFTER REPORTING PERIOD

Purchase of cryptocurrency (XDAG)

On 30 October 2022, the Group purchased a total of approximately 8,353,000 units of XDAG (XDagger) (“**XDAG**”), a cryptocurrency, on the cryptocurrency trading platform in open market at an aggregate consideration of approximately US\$125,000 (equivalent to approximately HK\$1,000,000) (the “**Investment**”), funded by the internal resources of the Group. The Board currently intends to hold the purchased XDAG by the Group as a long-term investment.

Details of the Investment have been set out in the announcement of the Company dated 31 October 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Shares 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 strengthening our position as one of the major players in the ICT in Malaysia has been an important milestone for the Group.

The Group has been actively considering and exploring various opportunities and flexibly change its business strategies to facilitate its business growth. 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, starting from 2022, the Group has kicked-off the development of the E-Commerce business in the PRC, starting from our online shopping market, Michong Mall.

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 with the Michong Mall, which is available in "Michong App", Tencent's WeChat official account and WeChat applet. The E-Commerce business contributed approximately HK\$16,370,000 or 48.4% of total revenue of the Group for the three months ended 30 September 2022.

Michong Mall is an online product sales platform, covering fresh vegetables and fruits, food and beverages, home appliances, beauty accessories and other products. The Michong Mall adopts paying membership policy, our paying members can enjoy special discounts and promotion rebates upon their consumption in the Michong Mall. To expand the population of membership and to promote the Michong Mall, the Group offers referral fees for introduction of new members by the current members from time to time in consideration of market needs and the operation of Michong Mall. As at 30 September 2022, the number of registered members of "Michong App" was approximately 496,000, including approximately 170,000 paying members. We will adjust the membership scheme and referral scheme in a timely manner according to market needs and the operation of the Michong Mall.

The Group mainly cooperates with domestic E-Commerce product suppliers with long-term industry experience in E-Commerce 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 member on the selection of E-Commerce commodities, quality assurance, logistics supply and after-sales service.

In order to safeguard the Company's intellectual property rights in the process of conducting E-Commerce business in the PRC, as at 30 September 2022, 米虫科技信息（深圳）有限公司 (Mebugs Technology Information (Shenzhen) Co., Limited*), an indirect wholly-owned subsidiary of the Company has applied for registration of 94 trademarks with the State Intellectual Property Office of China, including "Michong", "Michong Daily", "Michong Technology", "Michong Planet", "Michong Metaverse", "Michong Blockchain", "Michong NFT", "Michong Chain", "Michong Store", and "Michong Convenience Store" and other international trademark classifications such as Internet technology, education, and advertisement, etc.

Network support services and network connectivity services segment

COVID-19 pandemic has served as an accelerant in Malaysia's digital adoption journey. As a results of the adaptation of various restriction and pandemic prevention policies and the implementation of easing of standard operating procedure (the "SOP") in Malaysia from May 2022, which has been launched by the Ministry of Health in Malaysia, the Group believes that hardest days are over and this is an opportune moment for the Group to adopt go-to-market strategy in Malaysia and expand its business to the PRC.

Our team in Malaysia has closed more deals which make it easier to find and attract target customers, better manage customer relationships, and improve sales team performance. During the three months ended 30 September 2022, the revenue from Malaysian market slightly increased by approximately HK\$1,186,000 or 7.68% to approximately HK\$16,632,000 (*Three months ended 30 September 2021: approximately HK\$15,446,000*), both the number of customers database and number of projects that has been worked out increased, we will devote our best effort to grasp each opportunity and maintain our market share in Malaysia.

* for identification purpose only

PROSPECT

Currently, the Group is still facing challenges from the prevention and control of the pandemic and a weak consumption environment in the PRC. Nevertheless, the penetration of E-Commerce is unlikely to be weakened by a shift of consumption habits, rapid development of logistics infrastructure, a better regulated online transaction environment and continuous marketing efforts of E-Commerce companies.

In view of the current development of blockchain technology in the decentralisation of the Internet, the Board is of the opinion that blockchain technology has the potential to bring about profound changes to the existing financial and technology industries. The Group is also evaluating the feasibility of integrating decentralised blockchain technology into the E-Commerce business, with a view to generating synergies with the growing user base.

In addition, with the growth of E-Commerce business of the Group, we will expand the Group's network of partnership to strengthen our competitive advantage, and continuously improve operational efficiency. Finally, we will continue to make use of technological innovation, and plan a certain technical force to invest in the research and development of the basic construction of the metaverse concept, especially the research and development of blockchain technology and non-fungible token (NFT) technology, to create the best interest to the Shareholders and contribute to the high-quality development of the digital economy in the PRC.

The easing of SOP in Malaysia starting from 1 May 2022 is an important road marker to resume economic activities in Malaysia. We will keep a close watch on the development of the situation, continue to refine our management system and make timely adjustments to our operations and sales strategies. In the coming years, the Group has aligned the go-to-market strategy in Malaysia.

One of the agenda which stated in Malaysia's Digital Economy Blueprint (the "DEB"), which was launched by Malaysia Prime Minister, is about data and connectivity issues hamper healthcare's digital evolution in Malaysia. This is one of the areas that we need to focus on due to some unequal adoption of high-speed internet access, data storage and security in many areas/healthcare premises in Malaysia. The DEB seeks to set the landscape for Malaysia to become a high-value-added digital economy and net exporter of homegrown technologies and digital solutions and aims to improve the lives of Malaysians through digital advancement and economic growth driven by digital technology. The Group is looking this into strengthening the network support services and network connectivity services segment, grow business opportunity and revenue by providing better solution to help and overcome this issue.

Looking ahead, the Group will continue to devote considerable efforts and resources towards the development of E-Commerce business in the PRC and maintain our market shares of in the ICT industry in Malaysia, with the aims to facilitate our business growth and maximise the value for the Shareholders.

FINANCIAL REVIEW

Revenue

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

Our revenue increased by approximately HK\$18,379,000 or 119.0% from approximately HK\$15,446,000 for the three months ended 30 September 2021 to approximately HK\$33,825,000 for the three months ended 30 September 2022. Such increase was mainly attributable to (i) increase in revenue from network connectivity services by approximately HK\$2,695,000 or approximately 25.3% to approximately HK\$13,358,000 for the three months ended 30 September 2022 (*Three months ended 30 September 2021: approximately HK\$10,663,000*) due to introduction of new contracts from our current and new customers; and (ii) the newly introduction of E-Commerce in 2022, which contributed approximately HK\$16,370,000 or 48.4% of the total revenue for the three months ended 30 September 2022.

Cost of sales and services

Our cost of sales and services increased by approximately HK\$1,820,000 or 16.6% from approximately HK\$10,972,000 for the three months ended 30 September 2021 to approximately HK\$12,792,000 for the three months ended 30 September 2022, which was mainly attributable to the increase in the cost of telecommunication and network subscription by approximately HK\$1,197,000 or 15.4% to approximately HK\$8,961,000 for the three months ended 30 September 2022 (*Three months ended 30 September 2021: approximately HK\$7,764,000*), which is in line with the increase in revenue from the network connectivity services.

Gross profit margin

Our gross profit margin increased from approximately 29.0% for the three months ended 30 September 2021 to approximately 62.2% for the three months ended 30 September 2022, which was mainly due to the net effect of (i) slight decrease in gross profit margin in network support services and network connectivity services from approximately 29.0% for the three months ended 30 September 2021 to 26.9% for the three months ended 30 September 2022; and (ii) introduction of the E-Commerce business, which contributed a relatively higher gross profit margin at approximately 99.0% for the three months ended 30 September 2022.

Other income

Our other income mainly represented interest income from bank deposits, government subsidies and others. Other income increased by approximately HK\$89,000 or 207.0% from approximately HK\$43,000 for the three months ended 30 September 2021 to approximately HK\$132,000 for the three months ended 30 September 2022. Such increase was mainly attributable to (i) increase in receipt of interest income from bank deposits by approximately HK\$50,000 or 128.2% and (ii) increase in government grant by approximately HK\$40,000 or 100%, there was no fulfilled condition or contingency relating to the government subsidiaries.

Other gain and losses

Our other gain, net decreased by approximately HK\$86,000 or 52.4% from approximately HK\$164,000 for the three months ended 30 September 2021 to approximately HK\$78,000 for the three months ended 30 September 2022. The decrease was attributable to (i) the decrease in recognition of foreign exchange gain, net; and (ii) no reversal of impairment loss on trade receivables, net was recognised for the three months ended 30 September 2022 (*Three months ended 30 September 2021: approximately HK\$69,000*).

Selling expenses

Our selling expenses mainly represented (i) marketing fee incurred on promotion of our newly introduced 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\$1,886,000 or 487.3% from approximately HK\$387,000 for the three months ended 30 September 2021 to approximately HK\$2,273,000 for the three months ended 30 September 2022. Such increase was mainly attributable to marketing fee incurred on promotion of our newly introduced E-Commerce business and other staff costs for the sales team in the PRC for the three months ended 30 September 2022 amounted at approximately HK\$932,000 (*Three months ended 30 September 2021: Nil*) and approximately HK\$1,002,000 (*Three months ended 30 September 2021: Nil*), respectively.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately HK\$3,041,000 or 50.2% from approximately HK\$6,054,000 for the three months ended 30 September 2021 to approximately HK\$9,095,000 for the three months ended 30 September 2022. The increase was mainly due to expansion of the Group's business in the PRC, especially in (i) increase in staff cost for administrative and management personnel (including Directors) by approximately HK\$1,919,000 or 103.1% to approximately HK\$3,780,000 for the three months ended 30 September 2022 (*Three months ended 30 September 2021: approximately HK\$1,861,000*) due to increase in number of employees; and (ii) increase in depreciation of property, plant and equipment by approximately HK\$659,000 or 26.0% to approximately HK\$3,198,000 for the three months ended 30 September 2022 (*Three months ended 30 September 2021: approximately HK\$2,539,000*).

Finance costs

Our finance costs mainly derived from the interest expenses on interest-bearing borrowings and bank overdrafts and interest expenses on lease liabilities. Such costs increased by approximately HK\$114,000 or 278.0% from approximately HK\$41,000 for the three months ended 30 September 2021 to approximately HK\$155,000 for the three months ended 30 September 2022. Interest expenses on interest-bearing borrowings and bank overdrafts increased by approximately HK\$75,000 or 375% to HK\$95,000 for the three months ended 30 September 2022 (*Three months ended 30 September 2021: approximately HK\$20,000*) due to the increase in average balance of bank overdrafts and increase in average effective interest rate during the three months ended 30 September 2022.

Income tax credit (expenses)

Income tax credit was approximately HK\$275,000 for the three months ended 30 September 2022, as compared to income tax expenses of approximately HK\$46,000 for the three months ended 30 September 2021. The change of income tax was mainly attributable to (i) decrease in assessable profits of Malaysian subsidiaries during the three months ended 30 September 2022; (ii) the utilisation of the unused tax losses arising in the PRC, which was brought forward from the year ended 30 June 2022; and (iii) increase in 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.

Profit (Loss) for the period

Our profit for the period was approximately HK\$9,995,000 for the three months ended 30 September 2022 as compared to loss of approximately HK\$1,847,000 for the three months ended 30 September 2021. The turnaround was mainly due to the aggregate effect of increase in revenue and improvement in gross profit margin, and partially offset by the increase in selling expenses and administrative and other operating expenses, mainly due to introduction of E-Commerce business in the PRC, as analysed above.

CAPITAL STRUCTURE

The Shares were listed on GEM of the Stock Exchange on 9 December 2019. There has been no change in the capital structure of the Company since then. As at 30 September 2022, the capital structure of the Company comprised mainly of issued share capital and reserves.

MATERIALS ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES AND SIGNIFICANT INVESTMENTS

Save as the Investment disclosed under Note 11 to the Unaudited Condensed Consolidated Financial Statements, there was no material acquisitions or disposals of subsidiaries and affiliated companies and significant investments by the Group during the three months ended 30 September 2022.

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

As at 30 September 2022, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to our Company and the Stock Exchange, were as follows:

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

Name of Director	Nature of interest and capacity	Number of shares held/ interested (Note 1)	Approximate percentage of shareholding
Mr. Yu (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 (the “**BVI**”), which in turn holds 303,864,000 Shares or approximately 50.64% of the issued share capital of the Company; and Worldtone Riches is a company incorporated in the BVI, which in turn holds 112,500,000 Shares or approximately 18.75% of the issued share capital of the Company. Therefore, Mr. Yu is deemed, or taken to be, interested in all the Shares held by Thrive Harvest and Worldtone Riches for the purpose of the SFO.

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 30 September 2022, none of the Directors nor chief executive of the Company had registered an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and Chief Executive's Interests and/or Short Positions in Shares, Underlying Shares and Debentures" above and in the paragraph headed "Share Option Scheme" below, at no time during the three months ended 30 September 2022 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 30 September 2022, the following persons (other than a Director or Chief Executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required pursuant to section 336 of the SFO to be entered in the register referred to therein or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any member of the Group.

Long Position in the ordinary Shares of the Company

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

OTHER INFORMATION

Notes:

1. The letter “L” demonstrates long position.
2. 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.
3. 100% equity interest of Garden Wealth Limited (“**Garden Wealth**”) is owned by Shenzhen Huitong Yingfu No. 1 Equity Investment Fund Partnership (Limited Partnership)* (“**Shenzhen Huitong**”) and 97% equity interest of Shenzhen Huitong is owned by Wuhan Jiayou Information Technology Co., Ltd.* (“**Wuhan Jiayou**”). Therefore, Wuhan Jiayou and Shenzhen Huitong are deemed, or taken to be, interested in the Shares held by Garden Wealth for the purpose of the SFO.

* for identification purpose only

Interest in other member of the Group

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

Note:

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

Save as disclosed above, as at 30 September 2022, 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 OPTION SCHEME

The Company has a share option scheme (the “**Share Option Scheme**”) which was approved and adopted by the shareholders of the Company on 11 November 2019. Details of the Share Option Scheme are set out in the paragraph headed “Share Option Scheme” in the “Report of the Directors” section of the Company’s annual report 2021/2022 and Appendix IV to the prospectus of the Company dated 25 November 2019. During the three months ended 30 September 2022, no share option had been granted, exercised, lapsed or cancelled pursuant to the Share Option Scheme. There was no share option outstanding as at 30 September 2022.

AUDIT COMMITTEE

As at 30 September 2022, the Audit Committee has three members comprising three Independent Non-executive Directors, namely Mr. Ng Der Sian (Chairman), Mr. Chen Youchun and Ms. Zheng Li Ping. None of them are members of the former or existing auditors of the Company. The Board considers that the Audit Committee has extensive commercial experience in business, financial and legal matters. The primary duties of the Audit Committee include, among other matters, to review and monitor financial reporting and the judgment contained therein; to review financial, internal controls and risk management systems, accounting policies and practices with management and external auditors; to make recommendation to the Board on the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors; and to review the Company’s compliance with the Corporate Governance Code (“**CG Code**”) contained in Appendix 15 to the GEM Listing Rules.

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls, risk management systems and financial reporting matters, and the Company’s policies and practices on corporate governance. The Audit Committee has also reviewed and discussed with the management the unaudited condensed consolidated financial results of the Group for the three months ended 30 September 2022 and this report and is of the opinion that the preparation of such statements compiled with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

CORPORATE GOVERNANCE CODE

The Company's corporate governance practices follow the principles and code provisions as set out in the CG Code in Appendix 15 of the GEM Listing Rules. The Company has adopted and complied with, where applicable, the CG Code during the three months ended 30 September 2022 to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner, save for the deviation stipulated below.

According to the code provision C.2.1 of the CG Code, the role of chairman and chief executive officer should be separated and should not be performed by the same individual. Under the current management structure of the Company, Mr. Yu is the chairman of the Board (the "**Chairman**") and chief executive officer of the Company (the "**Chief Executive Officer**"). As Mr. Yu has more than 10 years of experience in technologies, media and telecommunications sector, corporate strategic management, project management, investment business and fund management, and due to his familiarity with the operations of the Group, the Board believes that it is in the best interest of the Group to continue to have Mr. Yu acting as both the Chairman and the Chief Executive Officer for effective management and business planning of the Group. Further, the Company has put in place an appropriate check-and-balance mechanism through the Board and three Independent Non-executive Directors. The Company will consult the Board for any major decisions. Therefore, the Board considers that the current structure of vesting rights of the Chairman and the Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company and the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstances.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standards of dealings (the "**Required Standard of Dealings**") set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the Required Standard of Dealings during the three months ended 30 September 2022.

COMPETING INTERESTS

During the three months ended 30 September 2022, 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.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Group has appointed Pulsar Capital Limited (the “**Compliance Adviser**”) as our compliance adviser. As at 30 September 2022, except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 22 November 2019, neither the Compliance Adviser nor any of its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the securities of the Group (including options or rights to subscribe for such securities) which is required to be notified to the Company pursuant to Rules 6A.32 of the GEM Listing Rules.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the three months ended 30 September 2022.

FORWARD LOOKING STATEMENTS

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

OTHER INFORMATION

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, 11 November 2022

As at the date of this report, the Board comprises Mr. Yu Decai and Mr. Hu Mingdai as Executive Directors; and Mr. Chen Youchun, Mr. Ng Der Sian and Ms. Zheng Li Ping as Independent Non-executive Directors.

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