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MILLENNIUM PACIFIC GROUP HOLDINGS LIMITED

匯思太平洋集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8147)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

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.

*This announcement, for which the directors (the “**Directors**”) of Millennium Pacific Group 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. 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.*

UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board of Directors (the “**Board**”) of the Company is pleased to announce the following unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 together with the audited comparative figures for the preceding year ended 31 December 2020.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK\$'000 (unaudited)	2020 HK\$'000 (audited)
Revenue	6	82,533	119,337
Cost of sales		<u>(78,520)</u>	<u>(115,253)</u>
Gross profit		4,013	4,084
Other income	7	46	93
Selling and distribution costs		–	(52)
Administrative expenses		(13,609)	(18,355)
Other operating losses		(250)	(750)
(Impairment losses)/reversal of impairment losses for trade receivables		(503)	2,704
Impairment losses for other receivables		<u>(1,431)</u>	<u>(438)</u>
Loss from operation		(11,734)	(12,714)
Finance costs		(1,542)	(2,360)
Impairment losses for associates		(7,963)	–
Share of results of associates		(1,978)	64
Share of results of a joint venture		<u>(73)</u>	<u>58</u>
Loss before tax	8	(23,290)	(14,952)
Income tax credit	9	<u>53</u>	<u>–</u>
Loss for the year		<u>(23,237)</u>	<u>(14,952)</u>
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		34	216
Share of other comprehensive income of associates		<u>766</u>	<u>1,440</u>
Other comprehensive income for the year, net of tax		<u>800</u>	<u>1,656</u>
Total comprehensive loss for the year		<u><u>(22,437)</u></u>	<u><u>(13,296)</u></u>

		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Loss for the year attributable to:			
— the owners of the Company		(22,593)	(14,880)
— non-controlling interests		(644)	(72)
		<u>(23,237)</u>	<u>(14,952)</u>
Total comprehensive loss for the year attributable to:			
— the owners of the Company		(21,844)	(13,340)
— non-controlling interests		(593)	44
		<u>(22,437)</u>	<u>(13,296)</u>
Loss per share (cents)			
— Basic	<i>11</i>	<u>(2.19)</u>	<u>(1.50)</u>
— Diluted	<i>11</i>	<u>(2.19)</u>	<u>(1.50)</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK\$'000 (unaudited)	2020 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		124	527
Right-of-use assets		4,285	3,224
Intangible assets		–	–
Investments in associates		22,717	31,892
Investment in a joint venture		–	73
		<u>27,126</u>	<u>35,716</u>
Current assets			
Inventories		3,214	1,560
Trade receivables	12	54,330	24,301
Other receivables, prepayments and deposits		9,781	16,041
Bank and cash balances		2,608	1,261
		<u>69,933</u>	<u>43,163</u>
Current liabilities			
Trade payables	13	35,021	912
Other payables, deposits received and accrued expenses		15,269	10,875
Convertible bonds		–	21,132
Lease liabilities		2,129	2,547
Current tax liabilities		418	375
		<u>52,837</u>	<u>35,841</u>
Net current assets		<u>17,096</u>	<u>7,322</u>
Total assets less current liabilities		<u>44,222</u>	<u>43,038</u>
Non-current liabilities			
Convertible bonds		18,673	–
Lease liabilities		2,213	723
		<u>20,886</u>	<u>723</u>
NET ASSETS		<u>23,336</u>	<u>42,315</u>
Capital and reserves			
Share capital		1,649	1,649
Reserves		19,112	38,677
		<u>20,761</u>	<u>40,326</u>
Non-controlling interests		2,575	1,989
TOTAL EQUITY		<u>23,336</u>	<u>42,315</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Attributable to the owners of the Company								
	Share capital	Share premium	Foreign currency translation reserve	Option reserve	Equity component of convertible bonds	Accumulated losses	Total reserve	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended 31 December 2020									
(audited)									
At 1 January 2020	1,427	97,342	(656)	2,049	2,650	(64,154)	37,231	1,945	40,603
Placing of new shares									
(net of share issue expenses)	222	13,195	–	–	–	–	13,195	–	13,417
Recognition of share-based payments	–	–	–	1,591	–	–	1,591	–	1,591
Transfer of share option reserve upon lapse of share options	–	–	–	(980)	–	980	–	–	–
Total comprehensive loss for the year	–	–	1,540	–	–	(14,880)	(13,340)	44	(13,296)
Changes in equity for the year	222	13,195	1,540	611	–	(13,900)	1,446	44	1,712
At 31 December 2020	1,649	110,537	884	2,660	2,650	(78,054)	38,677	1,989	42,315
For the year ended 31 December 2021 (unaudited)									
At 1 January 2021	1,649	110,537	884	2,660	2,650	(78,054)	38,677	1,989	42,315
Acquisition of a subsidiary	–	–	–	–	–	–	–	1,179	1,179
Repayment of convertible bonds	–	–	–	–	(2,650)	2,650	–	–	–
Issue of convertible bonds	–	–	–	–	2,212	–	2,212	–	2,212
Recognition of share-based payments	–	–	–	67	–	–	67	–	67
Transfer of share option reserve upon lapse of share options	–	–	–	(1,337)	–	1,337	–	–	–
Total comprehensive loss for the year	–	–	749	–	–	(22,593)	(21,844)	(593)	(22,437)
Changes in equity for the year	–	–	749	(1,270)	(438)	(18,606)	(19,565)	586	(18,979)
At 31 December 2021	1,649	110,537	1,633	1,390	2,212	(96,660)	19,112	2,575	23,336

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

Millennium Pacific Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempt company with limited liability under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 10 September 2013. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is located at 4/F., Building C, 101 Kongwei Guangchang, No. 52 Gongye Nang Road, Xinhe Community, Fuhai Street, Baoan District, Shenzhen, the People’s Republic of China (the “**PRC**”). The principal place of business in Hong Kong is located at Unit 5, 4/F., Energy Plaza, No. 92 Granville Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The Company’s shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 18 July 2014.

The Company is an investment holding company. The principal activities of its subsidiaries are research and development, manufacture, sale of electronic devices and provision of application software development services.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which in collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are discussed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
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In addition, the Group has early applied the Amendments to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021.

Except as described below, the application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR reform**”).

The amendments do not have an impact on these financial statements as the group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

(b) New and revised HKFRSs in issue but not yet effective

Other than the amendments to HKFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021, the Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Business Combination — Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property Plant and Equipment — Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements — Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention.

5. SEGMENT INFORMATION

Operating segment information

The Group is engaged in a single type business of research, development, manufacturing and trading of electronic devices. Accordingly, no operating segment information is presented.

Geographical information

Non-current assets of the Group are presented based on the geographical location as follows:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Hong Kong	560	3,236
PRC	3,849	515
	<u>4,409</u>	<u>3,751</u>

Non-current assets include property, plant and equipment and right-of-use assets.

Information about the Group's revenue from external customers is presented based on the geographical location as follows:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
PRC	12,807	3,258
Hong Kong	69,726	116,079
	<u>82,533</u>	<u>119,337</u>

Information about major customers

The Group's customer base included two (2020: three) customers with whom transactions have exceeded 10% of its revenue during the years is set out as below:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Customer A	47,280	21,279
Customer B	15,953	18,754
Customer C (<i>note (i)</i>)	—	18,419

- (i) These customers did not contribute over 10% of the total turnover of the Group for the year ended 31 December 2021.

6. REVENUE

Disaggregation of revenue from contract with customers by major products or service line for the year is as follows:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Revenue from contracts with customers within the scope of HKFRS 15		
<i>Products transferred at a point in time:</i>		
Sales of manufactured products	12,807	3,258
Sales on trading of electronic products, accessories and raw materials	69,726	116,079
	<u>82,533</u>	<u>119,337</u>

7. OTHER INCOME

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Foreign exchange gain, net	–	4
Gain on modification of a lease contract	16	–
Interest income	3	3
Others	27	86
	<u>46</u>	<u>93</u>

8. LOSS BEFORE TAX

The Group's loss before tax is stated after charging/(crediting) the following:

	<i>Note</i>	2021 HK\$'000 (unaudited)	2020 HK\$'000 (audited)
Depreciation			
— Owned assets	(a)	412	438
— Right-of-use assets	(b)	2,746	2,606
Staff costs (including directors' emoluments)			
— Salaries, bonus and allowances		4,850	4,470
— Share-based payments		67	1,591
— Retirement benefits scheme contributions		202	134
		5,119	6,195
Cost of inventories sold		78,520	115,244
Foreign exchange loss/(gain), net		1	(4)
Operating lease charges on premises		—	1,087
Auditors' remuneration		770	510
Research expenses		—	28
Impairment losses for inventories		428	187
Impairment losses for associates		7,963	—
Impairment losses/(reversal of impairment losses) for trade receivables		503	(2,704)
Impairment losses for other receivables		1,431	438
Written off of trade receivables		—	2,856

Notes:

- (a) Depreciation of property, plant and equipment of approximately HK\$380,000 (2020: HK\$419,000) for the year ended 31 December 2021 is included in cost of sales.
- (b) Depreciation of right-of-use assets of approximately HK\$792,000 (2020: HK\$Nil) for the year ended 31 December 2021 is included in cost of sales.

9. INCOME TAX CREDIT

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Current tax — Hong Kong Profits Tax		
Over-provision in prior years	53	—
Current tax — PRC EIT		
Provision for the year	—	—
Total tax credit for the year	<u>53</u>	<u>—</u>

Under the two-tiered Profits Tax Regime, one of the Company's Hong Kong subsidiaries is subjected to Hong Kong Profits Tax at the rate of 8.25% for the first HK\$2 million of its estimated assessable profits and at 16.5% on its estimated assessable profits above HK\$2 million. Other Hong Kong subsidiaries not qualifying for the two-tiered Profit Tax Regime are subjected to Hong Kong Profits Tax at the rate of 16.5% for the year ended 31 December 2021.

No provision for Hong Kong Profits Tax is required since the Hong Kong subsidiaries have sufficient tax losses brought forward to set off against current year's assessable profits.

The tax rate applicable to the Group's PRC subsidiaries were 25% (2020: 25%) during the year.

No provision for PRC EIT is required since the PRC subsidiaries has no assessable profit for the year.

The reconciliation between the income tax credit and the product of loss before tax multiplied by the Hong Kong Profits Tax rate of the Group is as follows:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Loss before tax	<u>(23,290)</u>	<u>(14,952)</u>
Tax at the domestic tax rate of 16.5% (2020: 16.5%)	(3,843)	(2,467)
Tax effect of income that is not taxable	(6)	(739)
Tax effect of expenses that are not deductible	2,777	1,398
Tax effect of tax losses not recognised	1,520	2,536
Tax effect of utilisation of tax losses not previously recognised	—	(70)
Over-provision in prior years	53	—
Effect of different tax rates of subsidiaries	<u>(448)</u>	<u>(658)</u>
Income tax credit for the year	<u>53</u>	<u>—</u>

10. DIVIDEND

No dividend had been paid or declared by the Company during the year (2020: Nil).

11. LOSS PER SHARE

(a) Basic loss per share

	2021 HK\$'000 (unaudited)	2020 HK\$'000 (audited)
Loss		
Loss for the purpose of calculating basic and diluted loss per share	<u>(22,593)</u>	<u>(14,880)</u>
Number of shares		
Issued ordinary shares at the beginning of year	1,030,738,970	891,874,970
Effect of issue of shares	<u>–</u>	<u>97,128,918</u>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>1,030,738,970</u>	<u>989,003,888</u>

(b) Diluted loss per share

The effects of the Company's potential ordinary shares in respect of the outstanding share options and convertible bonds are anti-dilutive for the years ended 31 December 2021 and 2020.

12. TRADE RECEIVABLES

	2021 HK\$'000 (unaudited)	2020 HK\$'000 (audited)
Trade receivables	55,215	24,683
Allowance for doubtful debts	<u>(885)</u>	<u>(382)</u>
	<u>54,330</u>	<u>24,301</u>

The Group's trading terms with its major customers is either on credit or to provide the Group with irrecoverable letters of credit issued by reputable banks, with terms within 60 to 90 days (2020: 60 to 90 days). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

An ageing analysis of the Group's trade receivables, based on the invoice date is as follows:

	2021 HK\$'000 (unaudited)	2020 HK\$'000 (audited)
0–30 days	15,411	–
31–60 days	465	2,117
61–90 days	5,557	4,733
Over 90 days	<u>32,897</u>	<u>17,451</u>
	<u>54,330</u>	<u>24,301</u>

As of 31 December 2021, trade receivables of approximately HK\$38,918,000 (2020: HK\$17,451,000) were past due but not impaired. These trade receivables related to customers for whom there was no recent history of default. The ageing analysis of these trade receivables, based on due date, is as follows:

	2021 HK\$'000 (unaudited)	2020 HK\$'000 (audited)
0–30 days	465	1,346
31–60 days	35,595	–
Over 60 days	2,859	16,105
	38,919	17,451

The Group does not charge interest or hold any collateral over these balances.

The Group applied simplified approach to provide the expected credit losses (“ECL”) as prescribed by HKFRS 9.

The directors of the Company are of the opinion that there is no significant increase of credit risk regarding the outstanding balances of trade receivables over due for over 60 days as at 31 December 2020 and 2021, after carefully considered (i) the payment patterns and credit history of these customers; and (ii) the amounts recovered subsequent to the end of the reporting periods.

Lifetime ECL that has been recognised in accordance with simplified approach set out in HKFRS 9 is as follows:

	2021 HK\$'000 (unaudited)	2020 HK\$'000 (audited)
At beginning of year	382	3,085
Impairment losses/(reversal of impairment losses) recognised for the year	503	(2,704)
Exchange realignment	–	1
At end of year	885	382

The carrying amounts of the Group's trade receivables at the end of reporting period are denominated in the following currencies:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
HK\$	2,859	17,161
US\$	45,449	6,685
RMB	6,022	455
	<u>54,330</u>	<u>24,301</u>

13. TRADE PAYABLES

An ageing analysis of the Group's trade payables, based on the invoice date is as follows:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
0–30 days	3,441	–
31–60 days	2,404	–
61–90 days	2,464	–
Over 90 days	26,712	912
	<u>35,021</u>	<u>912</u>

The carrying amounts of the Group's trade payables at the end of reporting period are denominated in the following currencies:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
HK\$	906	–
RMB	11,476	4
US\$	22,639	908
	<u>35,021</u>	<u>912</u>

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2021, the Group continued engaged in the research and development, manufacture and sale of consumer electronic products and provision of application software development services. We provide one-stop services to our customers by offering design, prototyping/sampling, manufacturing, assembling and packaging of their products.

BUSINESS ENVIRONMENT AND DEVELOPMENT

2021 is still a very challenging year. The emergence of several COVID-19 variants, such as Delta and Omicron, has weakened the effects of vaccines and prolonged the pandemic, causing disruptions to global trade and business operations. Various governments introduced lockdown measures to contain the spread of the virus variants with mixed results. Consumers are picking up new norms and different lifestyles amidst stringent social distancing measures and extended lockdowns. This seriously affected spending desirability and demand of the consumers, interrupted factory output, reduced material supplies and logistic activities, leading to rapid and significant cost increases which added further pressure to both the top line and margin to the businesses of the Group and our associated companies. On the other hand, there is no clear sign that the US-China tension is easing despite the impact of the pandemic and change of the US presidency. Under such unfavourable macro environment, we have to take prudent yet flexible approach to cope with the challenges and changes.

Our revenue inevitably recorded a significant double-digit drop over the past year. Yet we are committed to enhance our operational efficiency to mitigate the unfavourable impact. In addition, we closely monitor our resources and investments and reprioritize our focus. In particular, we shifted our focus to the PRC domestic electronic consumer market in the third and fourth tier cities during 2021.

BUSINESS REVIEW

In 2021, sales on trading of electronic products, accessories and raw materials remained as the Group's the primary stream of revenue while we noted a significant growth and contribution to the Group's total sales revenue from manufacturing of electronic products, as a result of the aforementioned shift of focus. In mid-2021, we established a PRC subsidiary in Guangxi with local partner to serve the domestic market there with notable results. Accordingly, despite the drop in total overall revenue by 30.8% from HK\$119.3 million in 2020 to HK\$82.5 million in 2021 due to the unfavourable macro environment, the revenue from manufacturing of electronic products increased by almost 4 times from HK\$3.3 million in 2020 to HK\$12.8 million in 2021. The gross profit margin of the Group increased from 3.4% in 2020 to 4.9% in 2021.

FINANCIAL REVIEW

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Total operation-related expenses		
Selling and distribution costs	–	52
Administrative expenses		
— Staff costs	5,119	6,195
— Depreciation of right-of-use assets [#]	1,954	2,606
— Written off of trade receivables	–	2,856
— Others	6,536	6,698
Reversal of impairment losses on trade receivables	503	(2,704)
Impairment losses on other receivables	1,431	438
Other operating losses	250	750
	15,793	16,891

Staff costs represented one of the major components of the Group's administrative expenses, which mainly consisted of directors' emoluments, salaries, retirement benefit scheme contribution and other benefits. Staff cost decreased by 17.4% from HK\$6.2 million in 2020 to HK\$5.1 million in 2021. The drop is primarily caused by the drop in notional share-based expense of HK\$1.5 million in 2021 as most of the previous granted share options had been vested in prior years. The effect is partially offset by the additional staff costs incurred for the newly operated Guangxi subsidiary.

Depreciation of right-of-use assets decreased from by HK\$0.6 million from HK\$2.6 million in 2020 to HK\$2.0 million in 2021, mainly due to the termination of lease of staff quarter to preserve the resources of the Group.

The total net impairment losses/written off of trade and other receivables increased by HK\$1.3 million from HK\$0.6 million in 2020 to HK\$1.9 million in 2021, mainly due to the increase in expected credit loss of the receivables.

The total operation-related expenses decreased by HK\$1.1 million from HK\$16.9 million in 2020 to HK\$15.8 million in 2021, mainly due to (i) the drop in abovementioned staff costs and depreciation of right-of-use assets; (ii) general savings in administrative and operating expenses resulting from tightened cost control; and (iii) partially offset by the aforesaid increase in the total net impairment losses/written off of trade and other receivables.

[#] Excluding depreciation of right-of-use assets included in cost of sales

Finance costs represented imputed interest on lease liabilities and convertible bonds and interest on promissory notes. The drop is mainly due to the decrease of imputed interest on convertible bonds of HK\$0.8 million in 2021 as the old convertible bonds of HK\$20 million, issued on 15 March 2019, was expired on 14 March 2021 whereas the new convertible bonds of HK\$20 million was issued on 2 July 2021. Details of the discussion of convertible bonds and promissory notes are under the section of “Liquidity, Financial Resources and Capital Structure”.

Operation of Associates

Our associate, Celestial Rainbow Group, which has been equity accounted for, mainly engaged in manufacturing and trading of electronic products, such as fitness bracelets, targeting overseas market. Due to the aforesaid effect of the pandemic and US-China trade tension, both the top line and margin of the business were negatively impacted and its bottom line turned from positive to negative. As a result, we recorded share of loss of associates of HK\$2.0 million in 2021 whereas we recorded share of profit of HK\$64,000 in 2020. In addition, impairment of HK\$8.0 million was made on its goodwill in 2021 in view of the uncertainty and duration of the negative impact of the macro-environment.

Loss Attributable to Owners of the Company

Excluding the effect of impairment of goodwill, the Group recorded a loss attributable to owners of the Company of HK\$14.6 million in 2021, and remained at a similar level to 2020.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Below is a summary of the key financial ratio:

		As at 31 December	
	<i>Notes</i>	2021	2020
Current ratio	1	1.32	1.20
Quick ratio	2	1.26	1.16
Gearing ratio	3	0.99	0.58

Notes:

1. Current ratio is calculated by dividing total current assets by total current liabilities as at the respective period end
2. Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the respective period end
3. Gearing ratio is calculated by dividing total debt by total equity as at the respective period end. For the avoidance of doubt, total debt includes liability component of convertible bonds and lease liabilities.

Historically, the Group has funded its liquidity and capital requirements primarily through operating cash flows, borrowings and funds from the listing of the Company's shares on the GEM of the Stock Exchange. The Group requires cash primarily for working capital needs.

Convertible Bonds and Promissory Notes

Pursuant to a subscription agreement dated 5 March 2019, the Company issued convertible bonds in an aggregate principal amount of HK\$20,000,000 with 4% interest per annum and two-year lifespan (the “**2019 Convertible Bonds**”) to Radiant Assets Management Limited on 15 March 2019 under the general mandate granted to the Directors by way of an ordinary resolution of the shareholders passed at the annual general meeting of the Company held on 21 June 2018. Assuming full conversion of the 2019 Convertible Bonds at the initial conversion price of HK\$0.045, the 2019 Convertible Bonds will be convertible into 444,444,444 conversion shares. As a result of the share consolidation of the Company becoming effective on 29 May 2019, the conversion price of the 2019 Convertible Bonds had been adjusted from HK\$0.045 per old share to HK\$0.36 per consolidated share and the number of the conversion shares to be issued upon conversion of the 2019 Convertible Bonds had been adjusted from 444,444,444 old shares to 55,555,555 consolidated shares. Details are disclosed in the announcements of the Company dated 5 March 2019, 15 March 2019 and 28 May 2019. Approximately HK\$10 million of the net proceeds from the subscription was used for the repayment of the outstanding liabilities of the Group and approximately HK\$10 million was used for general corporate purposes, including salary payments, rental payments, utilities and other operating expenses as intended. The 2019 Convertible Bonds were expired and the outstanding balance was fully repaid during 2021.

On 26 March 2021, the Company and Mr. Wu Xiongbín (“**Mr. Wu**”), an independent third party, entered into a memorandum of understanding, pursuant to which Mr. Wu was willing to subscribe for the Company's promissory notes in an aggregate principal amount of HK\$20,000,000 (the “**2021 Promissory Notes**”). The 2021 Promissory Notes would bear fixed interest at 4% per annum and repayable in 2 years. After further negotiation, the Company and Mr. Wu entered into the subscription agreement on 17 June 2021 that the Company shall issue convertible bonds in an aggregate principal amount of HK\$20,000,000 with 4% interest per annum and two-year lifespan (the “**2021 Convertible Bonds**”) to Mr. Wu. On 2 July 2021, the 2021 Convertible Bonds were issued under the general mandate granted to the Directors by way of an ordinary resolution of the shareholders passed at the annual general meeting of the Company held on 26 June 2020. Assuming full conversion of the 2021 Convertible Bonds at the initial conversion price of HK\$0.12, the 2021 Convertible Bonds will be convertible into 166,666,666 conversion shares. The Company intended to use the net proceeds of approximately HK\$20 million from the subscription to repay outstanding liabilities of the Group. Details are disclosed in the announcements of the Company dated 17 June 2021 and 2 July 2021. As at the date of this announcement, approximately HK\$20 million of the net proceeds was used to settle part of the 2019 Convertible Bonds and other liabilities as intended.

As at 31 December 2021, the Group had approximately HK\$2.6 million in bank and cash balances (2020: HK\$1.3 million). The Board kept monitoring the cash level of the Group and would consider different ways of financing in order to strengthen the Group's capital base and liquidity, including but not limited to issuance of bonds, obtaining additional financial assistance from shareholders or Directors, negotiating new banking facilities and carrying out further cost controls.

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2021 (2020: Nil).

CAPITAL EXPENDITURE

The Group purchased property, plant and equipment amounting to approximately nil and HK\$27,000 for the year ended 31 December 2021 and 2020, respectively.

CHARGES ON ASSETS

As at 31 December 2021 and 2020, the Group did not have any charges on its assets.

FOREIGN EXCHANGE EXPOSURE

The Group's reporting currency is Hong Kong dollars and the functional currencies of the Group's entities are principally denominated in Hong Kong dollars and Renminbi. A portion of the Group's transactions are denominated and settled in United States dollars, which has very limited exchange fluctuation with Hong Kong dollars historically. The Group currently has not implemented any foreign currency hedging policy and we will consider hedging against significant foreign exchange exposure should the need arise.

LITIGATION

On 16 November 2020, the Company received a judgement issued by the People's Court, Shenzhen, Guangdong Province, pursuant to which, among others, the Company shall repay to the plaintiff the outstanding rental of approximately RMB0.63 million plus overdue interests and other costs. The Company, appealed the above judgement to the Intermediate Court, Shenzhen, Guangdong Province in December 2020.

The Company received a final judgement dated 3 November 2021 issued by the Intermediate People's Court, Shenzhen, Guangdong Province which rejected the appeal of the Company and upheld the original judgement issued by the People's Court, Shenzhen, Guangdong Province. The Company had recognised provision under other payables for the claim during the year ended 31 December 2020.

CONTINGENT LIABILITIES

Saved for those disclosed in this announcement, the Group did not have any other contingent liabilities as at 31 December 2021 and 2020.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Strategic Cooperation Intention

On 23 May 2021, the Company and 惠智(深圳)技術有限公司 (Hui Zhi (Shenzhen) Technology Company Limited.*) entered into a non-legally binding letter of intent for strategic cooperation in relation to developing the business of providing online digital logistics services. Details are set out in the announcement of the Company dated 23 May 2021. As at the date of this announcement, neither definitive agreement nor transactions had been consummated.

Saved for those disclosed in this announcement, there were no other significant investments held by the Group for the year ended 31 December 2021 and there were no other material acquisitions and disposals of subsidiaries by the Group for the year ended 31 December 2021.

OUTLOOK

Looking ahead, there is no end in sight that the China-US tension will be easing. It may even be more uncertain given the latest war between Ukraine and Russia, with severe sanctions imposed by the Western nations to the latter. The sanctions add further pressure and disruptions to global trade and logistics. Rising prices for commodities, raw materials and electronic components pose significant business challenges to us.

While the Group will continue to develop and expand its businesses as and when appropriate, and to explore ways to improve its financial performance and broaden the sources of revenue, it's the Group's strategy to do so within acceptable risk level and capital requirement. The Group will carefully take into account the external factors such as the prolonged impact of COVID-19 and the market trends like consumer demand, spending desirability and preference under new norms and lifestyles, when selecting the appropriate product mix to which the Group should focus and devote its resources. The Group considers the PRC domestic markets, especially the household electrical appliances in the third and fourth tier cities, are less vulnerable to the adverse macro-environment, relative to the fast moving electronic consumer products/gadgets in overseas markets. Taking into account the balance of investment risk, capital requirement and familiarity with local environment, we established a PRC subsidiary in Guangxi with local business partner to serve the markets there. Leveraging on such

network, we will continue to work with the local partners and explore to serve the markets there through e-commerce platforms, in response to growing online sales stimulated by the pandemic. We also set up a wholly-owned subsidiary in Kashi, Xinjiang to explore the business of online information and online publication services.

On the other hand, as part of its routine exercise, the Group will also review the performance of its existing business portfolio and make suitable investment decisions. Subject to the review results, we do not preclude the possibility that we may dispose the whole or part of its existing business portfolio and/or change the asset allocation of its business. The Group may implement debt and/or equity fund raising plan(s) to satisfy the financing needs arising out of any business development of the Group as well as to improve its financial position in the event that suitable fund raising opportunities arise. In these regards, the Company will publish announcement as and when appropriate according to the requirements under the applicable listing rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICES

The Group has recognized the importance of transparency and accountability, and the Board considers that enhanced public accountability and corporate governance are beneficial for the healthy development of the Group, improving customer and supplier confidence. We believe that this can create long term value for the shareholders of the Company and is beneficial for the Group's sustainable growth. Saved as disclosed below, the Company adopted and complied with the principles and code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules during the year ended 31 December 2021. The Group strives to achieve sound corporate governance standards as far as practicable and utilizes our resources efficiently and effectively.

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2021, the Company did not have a designated chairman and following the resignation of the chief executive officer, Mr. Lu Zhiming, on 6 December 2021, the day-to-day management of the Group's business is handled by the executive Directors and the senior management collectively. The Board considers that the principle of balance of power and authority is achieved by the check and balance between the executive directors and the independent non-executive directors and the

functions and responsibilities of the chairman under code provisions A.2.2 to A.2.9 are, in practice, delegated to a designated director. We believe that the present arrangement is adequate to ensure an effective management and control of the Group's business operations and the Board will keep monitoring and review the arrangement.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to conflicting business schedules, Mr. Huang Jian ("**Mr. Huang**"), who was an independent non-executive Director at that time, was unable to attend the annual general meeting of the Company held on 25 June 2021. He resigned on 30 June 2021 as he decided to devote more time to his other commitments and engagements. Mr. Man Wai Lun ("**Mr. Man**") was appointed on 26 July 2021 as a new independent non-executive Director and the Company will strive to coordinate with Mr. Man for future compliance with the code provision.

Code provision C.1.2 of the CG Code provides that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules. In 2021, while the Company provided quarterly update to the members of the Board, the Board held 17 Board meetings, spread over the year, and was kept providing information and updates to the members of the Board as and when appropriate. The Board will continue to review the arrangement and the frequency of reporting to ensure timely update is provided. Where necessary, all Directors can have access to all relevant information and obtain the advice and services of the Company Secretary. The Directors may, where appropriate, seek independent professional advice to ensure compliance with the procedures of the Board and all applicable rules and regulations, at the Company's expense.

Following the resignation of Mr. Huang on 30 June 2021, the then number of independent non-executive Directors is less than three as required under Rule 5.05(1) of the GEM Listing Rules. Mr. Huang was also the chairman of the Audit Committee, and a member of each of the Nomination Committee and the Compliance Committee of the Company. Following his resignation, the Board was unable to fulfill the requirement of having a minimum of three members on the Audit Committee under Rule 5.28 of the GEM Listing Rules and the requirement of having not less than three members in the Nomination Committee as per the terms of reference of the Nomination Committee. Following Mr. Man's appointment on 26 July 2021, the number of independent non-executive Directors complies with Rule 5.05(1) of the GEM Listing Rules. Also, the Company fulfills the requirement of having a minimum of three members on the Audit Committee under Rule 5.28 of the GEM Listing Rules and the requirement of having not less than three members in the Nomination Committee as per the terms of reference of the Nomination Committee.

AUDIT COMMITTEE

The Company has established an audit committee (“**Audit Committee**”) with written terms of reference that are in conformity of the requirements of the CG Code.

The Audit Committee is currently composed of the 3 independent non-executive Directors, namely Mr. Man Wai Lun, Mr. Zheng Wan Zhang and Mr. Wong Tik Tung and chaired by Mr. Man Wai Lun, with all members being independent non-executive Directors of the Company in full compliance with Rule 5.28 of the GEM Listing Rules.

REVIEW OF UNAUDITED ANNUAL RESULTS AND DELAY IN DESPATCH OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Due to the recent COVID-19 Omicron outbreak in Hong Kong and mainland China and the implementation of control measures, the reporting and auditing processes of the financial results of the Group have been disrupted and adversely affected. The auditing process for the annual results for the year ended 31 December 2021 has not been completed and the unaudited results contained herein have yet been agreed by the Company’s auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The unaudited annual results contained herein have been reviewed by the Audit Committee of the Company.

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2021 as agreed by the Company’s auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the register of members holding ordinary shares will be closed in order to ascertain shareholders’ eligibility to attend and vote at the said meeting (and the proposed arrangements relating to dividend payment, if any). In addition, the Company will despatch the annual report according to the GEM Listing Rule and, in any event, not later than mid of May 2022.

By order of the Board
Millennium Pacific Group Holdings Limited
Zhou Chuang Qiang
Executive Director

Hong Kong, 31 March 2022

As at the date of this announcement, the executive Directors are Mr. Wang Li and Mr. Zhou Chuang Qiang; and the independent non-executive Directors are Mr. Zheng Wan Zhang, Mr. Wong Tik Tung, and Mr. Man Wai Lun.

This announcement will remain on the “Latest Company Announcements” page of the GEM website (www.hkgem.com) for at least seven days after the date of publication and on the website of the Company (www.mpgroup.hk).