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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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2022

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.*

The board of Directors (the “**Board**”) of Millennium Pacific Group Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 31 March 2022 (the “**Reporting Period**”), together with the comparative figures for the three months ended 31 March 2021 (the “**Corresponding Period**”), as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2022

		Three months ended	
		31 March	
		2022	2021
		HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(unaudited)
Revenue	3	59,473	5,108
Cost of sales		(57,398)	(4,756)
Gross profit		2,075	352
Other income	4	1	1
Administrative expenses		(2,531)	(3,404)
Loss from operation		(455)	(3,051)
Finance costs		(502)	(499)
Share of results of associates		(2,818)	(900)
Loss before tax		(3,775)	(4,450)
Income tax expense	5	–	–
Loss for the period		(3,775)	(4,450)
Other comprehensive income for the period, net of tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(2)	5
Share of other comprehensive income of an associate		152	162
Other comprehensive income for the period, net of tax		150	167
Total comprehensive loss for the period		(3,625)	(4,283)

		Three months ended	
		31 March	
		2022	2021
		HK\$'000	HK\$'000
<i>Notes</i>		(unaudited)	(unaudited)
Loss for the period attributable to:			
— Owners of the Company		(3,666)	(4,431)
— Non-controlling interests		(109)	(19)
		<u>(3,775)</u>	<u>(4,450)</u>
Total comprehensive loss			
for the period attributable to:			
— Owners of the Company		(3,526)	(4,261)
— Non-controlling interests		(99)	(22)
		<u>(3,625)</u>	<u>(4,283)</u>
Loss per share (HK cents)			
— Basic	7	<u>(0.36)</u>	<u>(0.43)</u>
— Diluted	7	<u>(0.36)</u>	<u>(0.43)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2022

	Attributable to the owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Option reserve HK\$'000	Foreign currency translation reserve HK\$'000	Equity component of convertible bonds HK\$'000	Accumulated losses HK\$'000	Total reserve HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2021									
(audited)	1,649	110,537	2,660	884	2,650	(78,054)	38,677	1,989	42,315
Recognition of share-based payments (unaudited)	–	–	67	–	–	–	67	–	67
Total comprehensive loss for the period (unaudited)	–	–	–	170	–	(4,431)	(4,261)	(22)	(4,283)
Reclassify of equity component of convertible bonds upon maturity	–	–	–	–	(2,650)	2,650	–	–	–
Balance at 31 March 2021	<u>1,649</u>	<u>110,537</u>	<u>2,727</u>	<u>1,054</u>	<u>–</u>	<u>(79,835)</u>	<u>34,483</u>	<u>1,967</u>	<u>38,099</u>
Balance at 1 January 2022									
(audited)	1,649	110,537	1,390	1,633	2,212	(96,660)	19,112	2,575	23,336
Total comprehensive loss for the period (unaudited)	–	–	–	140	–	(3,666)	(3,526)	(99)	(3,625)
Balance at 31 March 2022	<u>1,649</u>	<u>110,537</u>	<u>1,390</u>	<u>1,773</u>	<u>2,212</u>	<u>(100,326)</u>	<u>15,586</u>	<u>2,476</u>	<u>19,711</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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, Guangdong Province, 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 PRESENTATION AND PREPARATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2022 have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

These unaudited condensed consolidated results are presented in Hong Kong dollars (“**HK\$**”), which is the functional currency of the Company.

These condensed consolidated results have not been audited but have been reviewed by the audit committee of the Company.

The unaudited condensed consolidated results of the Group for the three months ended 31 March 2022 do not include all the information and disclosures required in the annual financial statements of the Group and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2021 (the “**2021 Consolidated Financial Statements**”). The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated results are consistent with those used in the 2021 Consolidated Financial Statements, except for those new and revised HKFRSs and interpretation issued by the HKICPA that are adopted for the first time in the unaudited condensed consolidated financial statements for the three months ended 31 March 2022.

The adoption of these new and revised HKFRSs had no significant effects on the results and financial position of the Group for the current and prior periods.

3. REVENUE

The Group derives revenue from the transfer of goods and services at a point in time in the following major product lines:

	Three months ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<i>Products transferred at a point in time:</i>		
Sales of manufactured products	13,428	151
Sales on trading of electronic products, accessories and raw materials	46,045	4,957
	<u>59,473</u>	<u>5,108</u>

4. OTHER INCOME

	Three months ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income	<u>1</u>	<u>1</u>

5. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group's Hong Kong subsidiaries did not generate any assessable profit for the three months ended 31 March 2022 and 2021.

No provision for PRC Enterprise Income Tax is required as the Group's PRC subsidiaries did not generate any assessable profit for the three months ended 31 March 2022 and 2021.

6. DIVIDENDS

No dividends was declared or paid during the three months ended 31 March 2022 (2021: Nil).

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following:

	Three months ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of calculating basic and diluted loss per share	<u>(3,666)</u>	<u>(4,431)</u>
	Three months ended 31 March	
	2022	2021
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>1,030,738,970</u>	<u>1,030,738,970</u>
Diluted loss per share		

No adjustment has been made to the basic loss per share amount presented for the three months ended 31 March 2022 and 2021 in respect of dilution as the outstanding share options and convertible bonds had no dilutive effect on the basic loss per share amount presented.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first quarter of 2022, the Group continued to engage 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

During the three months ended 31 March 2022, COVID-19 had still been a major threat to trade and business operations around the world. Various governments once again introduced social distancing and lockdown measures to contain the spread of Omicron. Such measures interrupted factory output, reduced material supplies and logistic activities globally, leading to rapid and significant cost increases. What's more, the war between Ukraine and Russia and the severe sanctions against the latter have added even greater pressure and disruptions to global trade and logistics. Rising prices for commodities, raw materials and electronic components posed significant business challenges to us and continued to add greater pressure to the margin of the businesses of the Group and our associated companies. To cope with the unfavourable macro-environment, we have shifted our focus to the PRC domestic electronic consumer market in the third and fourth tier cities and we established a PRC subsidiary in Guangxi with local partner to serve the domestic market there since the second half of 2021.

BUSINESS REVIEW

The initial results of the shift of focus have been encouraging. During the first quarter of 2022, sales on trading of electronic products, accessories and raw materials remained as the Group's primary stream of revenue while we noted a significant contribution to the Group's total sales revenue from manufacturing of electronic products, as a result of the aforementioned shift of focus. Accordingly, our overall revenue increased by almost 12 times from HK\$5.1 million in the first quarter of 2021 to HK\$59.5 million in the same period of 2022. Revenue from manufacturing of electronic products accounted for 3.0% of our overall revenue in the first quarter of 2021 while it accounted for 22.6% in the same period of 2022.

The gross profit margin of the Group decreased from 6.9% in the first quarter of 2021 to 3.5% in the same period of 2022 due to the above-mentioned rising cost levels.

FINANCIAL REVIEW

To mitigate the pressure on our bottom line, the Group strived to strengthen its controls on operating costs, resulting in general savings in administrative expenses. Accordingly, our total administrative expenses decreased by HK\$0.9 million from HK\$3.4 million in the first quarter of 2021 to HK\$2.5 million in the same period of 2022, despite the significant growth in top line.

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 costs were approximately HK\$1.2 million in the first quarter of 2022 and remained at a similar level to that of 2021.

Depreciation of right-of-use assets decreased by HK\$0.2 million from HK\$0.6 million in the first quarter of 2021 to HK\$0.4 million in the same period of 2022, mainly due to the termination of lease of staff quarter to preserve the resources of the Group.

Finance costs represented imputed interest on lease liabilities and convertible bonds and remained fairly stable.

Loss Attributable to Owners of the Company

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. Both the top line and bottom line of the business were negatively impacted due to the pandemic and US-China trade tension. However, we managed to mitigate such impact and overcome the negative results brought by the associates with the aforesaid shift of focus of the Group itself. Accordingly, the Group recorded a loss attributable to owners of the Company of HK\$3.7 million in the first quarter of 2022, representing a drop of HK\$0.7 million from HK\$4.4 million in the same period of 2021.

OUTLOOK

Looking ahead, there are still significant challenges and uncertainties posed by the development of the pandemic and the war between Ukraine and Russia. The Group will carefully take into account the external factors such as the prolonged impact of COVID-19 and the market trends under new norms and lifestyles. While the Group will continue to control its costs of operation and select the appropriate product mix and regions to which the Group should focus and devote its resources, it 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.

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 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. 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED COMPANY

As at 31 March 2022, so far as is known to the Directors, none of the Directors and the Company's chief executive had any interests or short positions in any shares, underlying shares or 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 under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 March 2022, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions

Ordinary shares of the Company

Name	Capacity and nature of interest	Class of Shares	Number of shares (note 1)	Percentage of the Company's issued share capital
Martford Limited (note 2)	Beneficial owner	Ordinary shares	316,981,250 (L)	30.75%
Wu Xiongbín (note 3)	Beneficial owner	Ordinary Shares	174,469,166 (L)	16.93%
Pu Wei	Beneficial owner	Ordinary Shares	88,008,000 (L)	8.54%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.
2. The 316,981,250 shares were held by Martford Limited which is wholly and beneficially owned by Mr. Wang Lianghai.
3. On 17 June 2021, Mr. Wu Xiongbín subscribed convertible bonds in an aggregate principal amount of HK\$20 million which can be convertible into 166,666,666 conversion shares at initial conversion price of HK\$0.12 per conversion share.

Save as disclosed above and so far as is known to the Directors, as at 31 March 2022, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPETING INTERESTS

The Directors confirm that none of the controlling shareholders or Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the business of the Group during the three months ended 31 March 2022.

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 three months ended 31 March 2022.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee comprises three independent non-executive Directors, namely Mr. Man Wai Lun (committee chairman), Mr. Zheng Wan Zhang and Mr. Wong Tik Tung.

The unaudited condensed consolidated financial statements of the Company for the three months ended 31 March 2022 has been reviewed by the audit committee. The audit committee is of the opinion that such financial information complies with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosure have been made.

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

Hong Kong, 13 May 2022

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

This announcement will appear on 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).