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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 2023

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 2023, together with the comparative figures for the corresponding period in 2022, as follows:

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

For the three months ended 31 March 2023

		Three months ended	
		31 March	
		2023	2022
	<i>Notes</i>	HK\$’000	<i>HK\$’000</i>
		(unaudited)	(unaudited)
Revenue	3	173	59,473
Cost of sales		<u>(166)</u>	<u>(57,398)</u>
Gross profit		7	2,075
Other income		2	1
Administrative expenses		<u>(1,798)</u>	<u>(2,531)</u>
Loss from operation		(1,789)	(455)
Finance costs		(525)	(502)
Share of results of associates		<u>(1,242)</u>	<u>(2,818)</u>
Loss before tax		(3,556)	(3,775)
Income tax expense	4	<u>–</u>	<u>–</u>
Loss for the period		<u>(3,556)</u>	<u>(3,775)</u>
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		(117)	(2)
Share of other comprehensive income of an associate		<u>186</u>	<u>152</u>
Other comprehensive income for the period, net of tax		<u>69</u>	<u>150</u>
Total comprehensive loss for the period		<u><u>(3,487)</u></u>	<u><u>(3,625)</u></u>

		Three months ended	
		31 March	
		2023	2022
		HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(unaudited)
Loss for the period attributable to:			
— Owners of the Company		(3,523)	(3,666)
— Non-controlling interests		(33)	(109)
		<u>(3,556)</u>	<u>(3,775)</u>
Total comprehensive loss			
for the period attributable to:			
— Owners of the Company		(3,432)	(3,526)
— Non-controlling interests		(55)	(99)
		<u>(3,487)</u>	<u>(3,625)</u>
Loss per share (HK cents)			
— Basic	6	<u>(0.34)</u>	<u>(0.36)</u>
— Diluted	6	<u>(0.34)</u>	<u>(0.36)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

	Attributable to the owners of the Company								
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Option reserve <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Equity component of convertible bonds <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total reserve <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
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 (unaudited)	<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>
Balance at 1 January 2023 (audited)	1,649	110,537	2,526	(160)	2,212	(115,149)	(34)	(536)	1,079
Recognition of share-based payments (unaudited)	-	-	413	-	-	-	413	-	413
Total comprehensive loss for the period (unaudited)	-	-	-	91	-	(3,523)	(3,432)	(55)	(3,487)
Balance at 31 March 2023 (unaudited)	<u>1,649</u>	<u>110,537</u>	<u>2,939</u>	<u>(69)</u>	<u>2,212</u>	<u>(118,672)</u>	<u>(3,053)</u>	<u>(591)</u>	<u>(1,995)</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 A709–A22, 7/F., Block A, Jiangsu Building, 6013 Yitian Road, Fuxin Community, Lianhua Street, Futian 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 and online information and digital marketing 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 2023 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 2023 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 2022 (the “**2022 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 2022 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 2023.

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	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales of manufactured products	–	13,428
Sales on trading of electronic products, accessories and raw materials	<u>173</u>	<u>46,045</u>
	<u>173</u>	<u>59,473</u>

4. 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 2023 and 2022.

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 2023 and 2022.

5. DIVIDENDS

No dividends was declared or paid during the three months ended 31 March 2023 (2022: Nil).

6. LOSS PER SHARE

(a) Basic loss per Share

	Three months ended	
	31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of calculating basic and diluted loss per Share (HK\$'000)	<u>(3,523)</u>	<u>(3,666)</u>
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>

(b) Diluted loss per Share

The effects of the potential ordinary Shares in respect of the outstanding share options and convertible bonds of the Company are anti-dilutive for the period ended 31 March 2023 and 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group engaged in the research and development, manufacture and sale of consumer electronic products. It also explored the business of online information and digital marketing services. We provide one-stop services to our customers by offering design, prototyping/sampling, manufacturing, assembling, packaging and marketing of their products.

BUSINESS ENVIRONMENT AND DEVELOPMENT

During the three months ended 31 March 2023, we finally saw the light at the end of the tunnel regarding the heavy impact caused by the pandemic. The strict COVID-contained measures in Greater China were substantially relaxed and life gradually returned to normal. Having significantly raised its benchmark interest rate by 425 basis points in 2022, the US Federal Reserve took a less aggressive approach in its contractionary policy and raised only 50 basis points in the first quarter of 2023. Nevertheless, there was no end in sight to escalating geopolitical rivalries and rising fragmentation. Intensified tensions between China and the US and the resulting China-US decoupling undoubtedly created headaches to electronic industry. Various new export limits, sanctions, investment and technology bans on area such as those related to semiconductor chips continued to be introduced by the US government against China. We also witnessed increasing price pressure and labour shortages.

As such, despite our effort to back to normal as soon as possible, the resumption of our operation was still largely constrained by the above-mentioned macro-environment.

BUSINESS REVIEW

The businesses of the Group and its associated companies were inevitably negatively hit by such hurdles. Uncertainties in operation disruptions during the pandemic left us no choice but downsized our scale and it took time to recover. Given the negative impact on industries relating to semiconductors, electronic components and products under the aforesaid macro-environment, particularly in China, we recorded substantial drop in revenue. Accordingly, the total revenue of the Group decreased by HK\$59.3 million from HK\$59.5 million in the first quarter of 2022 to HK\$0.2 million in the same period of 2023.

While the Group's overall gross profit margin was around 4% and remained at similar level as compared to 2022, our gross profit decreased by HK\$2.1 million due to the aforesaid drop in revenue.

FINANCIAL REVIEW

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, share-based expense and other benefits. Staff costs increased by HK\$0.2 million from HK\$1.2 million in the first quarter of 2022 to HK\$1.4 million in the same period of 2023. The increase was mainly contributed by the grant of new share options in June 2022, resulting in additional recognition of notional share-based payment expenses of HK\$0.4 million in the first quarter of 2023. Excluding the effect of share options, the staff costs dropped by HK\$0.2 million under tightened control and downsize in operation scale.

Depreciation of right-of-use assets was HK\$0.4 million in the first quarter of 2022 whereas the Group did not recorded any amount in 2023, as full impairment was provided in 2022 for the factory under right-of-use assets due to the uncertainties in operation and disruptions.

To mitigate the pressure on our bottom line, the Group continued to strive to strengthen its controls on operating costs, resulting in further general savings in administrative expenses. Accordingly, despite the increase in staff costs, our total administrative expenses decreased by HK\$0.7 million from HK\$2.5 million in the first quarter of 2022 to HK\$1.8 million in the same period of 2023.

Finance costs represented imputed interest on lease liabilities and convertible bonds and remained fairly stable at around HK\$0.5 million.

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. Its operation was vulnerable to the prevailing environment. Accordingly, the associate continued to contribute negatively to our bottom line. We shared its loss of HK\$1.2 million in the first quarter of 2023 whereas we shared its loss of HK\$2.8 million in the same period of 2022.

Loss Attributable to Owners of the Company

The Group recorded a loss attributable to owners of the Company of HK\$3.5 million in the first quarter of 2023, representing a decrease of HK\$0.2 million from HK\$3.7 million in the same period of 2022. The drop was mainly due to the combined effect of (i) the decrease in administrative expenses of HK\$0.7 million; (ii) the decrease in share of the associate's loss of HK\$1.6 million; partially offset by (iii) the drop of gross profit margin of HK\$2.1 million.

OUTLOOK

Looking ahead, there are challenges and opportunities. Geopolitical conflicts and China-US economic decoupling increased business risks and uncertainties. On the other hand, we believe that businesses will eventually be resumed as we entered post-pandemic era. The Group will maintain a cautious stance and make tactical adjustments where appropriate. We will be ready to capture new opportunities and adjust our priorities and resources, taking into account the prevailing external factors.

While the Group will develop and explore ways to improve its financial performance and broaden the sources of revenue, it is the Group's strategy to do so within acceptable risk level and capital requirement. It will continue to control its costs of operation and select the appropriate product mix and regions that the Group should focus on and devote its resources to. We will also review the performance of our 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 our existing business portfolio and/or change the asset allocation of our businesses.

The Group may restructure its existing debts and implement debt and/or equity fund raising plan(s) to satisfy the financing needs and improve its financial position in the event 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 2023, the interests and short position of the Directors and the Company's chief executive in the shares, underlying shares and debentures of the Company and 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 maintained by the Company under 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 were as follows:

Long positions

Ordinary Shares

Name	Capacity and nature of interest	Class of Shares	Number of Shares (note 1)	Percentage of the Company's issued share capital
Zhou Chuang Qiang	Beneficial owner	Share options (note 2)	10,000,000 (L)	0.97%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.
2. These represented the interests in underlying shares in respect of share options granted by the Company.

Save as disclosed above and 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 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 2023, 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 Xiongbin (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 Xiongbin 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 2023, 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 2023.

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 2023.

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. Following the resignation of Mr. Zheng Wan Zhang on 13 February 2023, the audit committee comprises two independent non-executive Directors only, namely Mr. Man Wai Lun (chairman) and Mr. Wong Tik Tung. This results in non-compliance with the requirements under Rule 5.28 of the GEM Listing Rules and the terms of reference of the committee. The Company is in the process of identifying suitable candidates to fill the vacancy within three months from 13 February 2023 in order to ensure compliance by the Company with the requirements under the GEM Listing Rules.

The unaudited condensed consolidated financial statements of the Company for the three months ended 31 March 2023 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, 3 May 2023

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. Man Wai Lun and Mr. Wong Tik Tung.

This announcement will remain on the "Latest Listed Company Information" page of the GEM of the Stock Exchange's website (www.hkexnews.hk) for at least seven days after the date of publication and on the website of the Company (www.mpgroup.hk).