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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 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 midsized 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.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board of Directors (the "**Board**") of the Company is pleased to announce the following consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022 together with the comparative figures for the preceding year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	7	65,654	82,533
Cost of sales	-	(62,400)	(78,520)
Gross profit		3,254	4,013
Other income Administrative expenses Other operating losses Impairment losses for trade receivables Reversal of impairment losses/(impairment losses) for other receivables Impairment losses for right-of-use assets	8	1,452 (14,698) (250) (49) 130 (2,080)	46 (13,609) (250) (503) (1,431)
Loss from operation		(12,241)	(11,734)
Finance costs Impairment losses for associates Share of results of associates Share of results of a joint venture		(2,026) - (7,248) -	(1,542) (7,963) (1,978) (73)
Loss before tax	9	(21,515)	(23,290)
Income tax credit	10		53
Loss for the year	-	(21,515)	(23,237)
Other comprehensive income: Items that may be reclassified to profit or loss: Exchange differences on translating foreign operations Share of other comprehensive (loss)/income of associates		(315) (1,563)	34 766
Other comprehensive (loss)/income for the year, net of tax	-	(1,878)	800
Total comprehensive loss for the year	-	(23,393)	(22,437)

	Notes	2022 HK\$'000	2021 HK\$'000
Loss for the year attributable to:			
— the owners of the Company		(18,377)	(22,593)
— non-controlling interests		(3,138)	(644)
		(21,515)	(23,237)
Total comprehensive loss for the year attributable to:			
— the owners of the Company		(20,170)	(21,844)
— non-controlling interests		(3,223)	(593)
		(23,393)	(22,437)
Loss per share (cents)			
— Basic	12	(1.78)	(2.19)
— Diluted	12	(1.78)	(2.19)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current assets		5 (104
Property, plant and equipment Right-of-use assets		56 -	124 4,285
Interests in associates		13,906	22,717
Investment in a joint venture			
		13,962	27,126
Current assets			
Inventories		_	3,214
Trade receivables	13	21,841	54,330
Other receivables, prepayments and deposits		1,263	9,781
Bank and cash balances		1,655	2,608
		24,759	69,933
Current liabilities			
Trade payables	14	551	35,021
Other payables, deposits received and accrued expenses		13,532	15,269
Amount due to an associate		906	13,209
Convertible bonds		20,577	_
Lease liabilities		1,515	2,129
Current tax liabilities			418
		37,081	52,837
Net current (liabilities)/assets		(12,322)	17,096
Total assets less current liabilities	_	1,640	44,222
Non-current liabilities			
Convertible bonds		_	18,673
Lease liabilities		561	2,213
		561	20,886
NET ASSETS		1,079	23,336
Capital and receives			<u>-</u> _
Capital and reserves Share capital		1,649	1,649
Reserves		(34)	19,112
	•	1,615	20.761
Non-controlling interests		(536)	20,761 2,575
_			<u> </u>
TOTAL EQUITY	:	1,079	23,336

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

					-	•			
	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Option 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
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
At 1 January 2022	1,649	110,537	1,633	1,390	2,212	(96,660)	19,112	2,575	23,336
Recognition of share-based payments Acquisition of non-controlling	-	-	-	1,136	-	-	1,136	-	1,136
interests	-	-	-	-	-	(112)	(112)	112	-
Total comprehensive loss for the year			(1,793)			(18,377)	(20,170)	(3,223)	(23,393)
Changes in equity for the year			(1,793)	1,136		(18,489)	(19,146)	(3,111)	(22,257)
At 31 December 2022	1,649	110,537	(160)	2,526	2,212	(115,149)	(34)	(536)	1,079

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 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. GOING CONCERN

The Group incurred a loss attributable to owners of the Company of approximately HK\$18,377,000 for the year ended 31 December 2022 and as at 31 December 2022, the Group had net current liabilities of approximately HK\$12,322,000. In view of these circumstances, the Directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group.

The validity of the Group to operate as a going concern is dependent upon the outcomes of the Group to (i) attain profitable and positive cash flows from operations by exploiting business development and implementing effective cost control measures; and (ii) reach an agreement with the holder of the outstanding convertible bonds of the Company (the "CB Holder") to extend the repayment term of the convertible bonds for at least 12 months. Up to the approval date on these financial statements, the Company had obtained written consent from the CB Holder that, regardless of the successful extension of the outstanding convertible bonds which is subject to fulfillment of certain preconditions, the CB Holder committed not to request for the repayments of the outstanding principal and interest before 31 March 2024.

After taking into account the above measures, the directors of the Company consider that the Group will be able to realise its assets and discharge its liabilities and commitments in the normal course of business. Therefore, the consolidated financial statements of the Group have been prepared on a going concern basis.

3. 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 4 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.

4. 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 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended
	Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018–2020
Amendments to Accounting	Merger Accounting for Common Control Combinations
Guideline 5	

The above amendments to HKFRSs effective for the financial year beginning on 1 January 2022 do not have a material impact on the Group's consolidated financial statement.

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

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 2022. 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 HKAS 1 — Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 — Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The directors of the Company are 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.

5. SIGNIFICANT ACCOUNTING POLICIES

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

6. SEGMENT INFORMATION

Operating segment information

The Group is principally engaged in a single type business of research, development, manufacturing and trading of electronic devices, while the revenue from provision of online information and digital marketing services contributed less than 1% to the Group's consolidated revenue. Information reported to the board of directors, being the chief operating decision maker, for the purposes of resources allocation and assessment focuses on revenue analysis by products. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosure, major customers and geographical information are presented.

Geographical information

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

	2022 HK\$'000	2021 HK\$'000
Hong Kong PRC	56	560 3,849
	56	4,409

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:

	2022 HK\$'000	2021 HK\$'000
PRC Hong Kong	18,245 47,409	12,807 69,726
	65,654	82,533

Information about major customers

The Group's customer base included three (2021: two) customers with whom transactions have exceeded 10% of its revenue during the year is set out as below:

	2022 HK\$'000	2021 HK\$'000
Customer A	20,343	_
Customer B	15,992	_
Customer C	6,708	_
Customer D (note (i))	<u> </u>	47,280
Customer E (note (i))	_	15,953

(i) These customers did not contribute over 10% of the total turnover of the Group for the year ended 31 December 2022.

7. REVENUE

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

		2022 HK\$'000	2021 HK\$'000
	Revenue from contracts with customers		
	within the scope of HKFRS 15		
	Products and services transferred at a point in time:		
	Provision of online information and	220	
	digital marketing services	338	12.007
	Sales of manufactured products	17,907	12,807
	Sales on trading of electronic products,	45.400	(0.72(
	accessories and raw materials	47,409	69,726
		65,654	82,533
8.	OTHER INCOME		
		2022	2021
		HK\$'000	HK\$'000
		,	
	Gain on modification of a lease contract	_	16
	Interest income	3	3
	Sales of scrap	1,448	_
	Others	1	27
		1,452	46
			10

9. LOSS BEFORE TAX

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

	7.7	2022	2021
	Note	HK\$'000	HK\$'000
Depreciation			
— Owned assets	(a)	254	412
— Right-of-use assets	<i>(b)</i>	2,086	2,746
Staff costs (including directors' emoluments)			
— Salaries, bonus and allowances		4,392	4,850
— Share-based payments		1,136	67
— Retirement benefits scheme contributions		270	202
		5,798	5,119
Cost of inventories sold		62,400	78,520
Foreign exchange loss, net		38	1
Short-term lease charges on premises		166	843
Auditors' remuneration		570	770
Impairment losses for right-of-use assets		2,080	_
Provision for allowance of inventories		_	428
Impairment losses for associates		_	7,963
Impairment losses for trade receivables		49	503
(Reversal of impairment losses)/			
impairment losses for other receivables		(130)	1,431
Written off of inventories		3,750	_

Notes:

- (a) Depreciation of property, plant and equipment of approximately HK\$78,000 (2021: HK\$380,000) for the year ended 31 December 2022 is included in cost of sales.
- (b) Depreciation of right-of-use assets of approximately HK\$510,000 (2021: HK\$792,000) for the year ended 31 December 2022 is included in cost of sales.

10. INCOME TAX

	2022 HK\$'000	2021 HK\$'000
Current tax — Hong Kong Profits Tax Over-provision in prior years		53
Total tax credit for the year	<u>-</u>	53

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 years ended 31 December 2022 and 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% (2021: 25%) during the year.

No provision for PRC EIT is required since the PRC subsidiaries has no assessable profit for the year for the years ended 31 December 2022 and 2021.

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

	2022	2021
	HK\$'000	HK\$'000
Loss before tax	(21,515)	(23,290)
Tax at the domestic tax rate of 16.5% (2021: 16.5%)	(3,550)	(3,843)
Tax effect of income that is not taxable	(1)	(6)
Tax effect of share of results of associates	1,196	327
Tax effect of expenses that are not deductible	1,242	2,450
Tax effect of tax losses not recognised	1,803	1,520
Over-provision in prior years	_	53
Effect of different tax rates of subsidiaries		
operating in other jurisdiction	(690)	(448)
Income tax credit for the year		53

11. DIVIDEND

No dividend had been paid or declared by the Company during the year (2021: Nil).

12. LOSS PER SHARE

(a) Basic loss per share

	2022 HK\$'000	2021 HK\$'000
Loss Loss for the purpose of calculating basic and diluted loss per share	(18,377)	(22,593)
Number of shares	1,030,738,970	1,030,738,970

(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 2022 and 2021.

13. TRADE RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables Less: Impairment loss	22,775 (934)	55,215 (885)
	21,841	54,330

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 (2021: 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:

	2022	2021
	HK\$'000	HK\$'000
0–30 days	_	15,411
31–60 days	_	465
61–90 days	_	5,557
Over 90 days	21,841	32,897
	21,841	54,330

As of 31 December 2022, trade receivables of approximately HK\$21,841,000 (2021: HK\$38,919,000) were past due. 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:

	2022 HK\$'000	2021 HK\$'000
0-30 days	_	465
31–60 days	772	35,595
Over 60 days	21,069	2,859
	21,841	38,919

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

The Group applied simplified approach to provide the 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 2022 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.

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

	2022 HK\$'000	2021 HK\$'000
HK\$	11,943	2,859
US\$	9,898	45,449
RMB		6,022
	21,841	54,330

14. TRADE PAYABLES

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

	2022 HK\$'000	2021 HK\$'000
0–30 days	_	3,441
31–60 days	_	2,404
61–90 days	_	2,464
Over 90 days	551	26,712
	551	35,021

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

	2022 HK\$'000	2021 HK\$'000
HK\$	_	906
RMB	551	11,476
US\$		22,639
	551	35,021

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2022, the Group continued to engage in the research and development, manufacture and sale of consumer electronic products. In response to growing online activities stimulated by the pandemic, we set up a wholly-owned subsidiary in Kashi, Xinjiang, known as 喀什時代九方信息科技有限公司 (Kashgar Shidai Jiufang Information Technology Company Limited*) to explore 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

2022 was another difficult and challenging year, continued to be negatively impacted by COVID-19 for three years in a row. Various waves of the pandemic and the maintenance of strict COVID-contained measures by the Chinese government disrupted the global supply chain and economic activities. The year also marked escalating geopolitical rivalries and rising fragmentation. The protracted war between Russia and Ukraine since February 2022, the sanctions against Russia and the retaliation interrupted the supplies of energy, commodities and agricultural products, accelerating the soaring inflation further. In 2022, we also witnessed intensified tensions between China and the US. Military exercises around Taiwan slowed the flow of cargo vessels to and from the key waterway, creating logistical headaches for electronic components. On top of the existing trade war which responded by retaliation, various new export limits, sanctions, investments and technology bans on area such as those related to semiconductor chips were introduced by the US government against China during the year. China-US decoupling increasingly looked like a reality. On the other hand, getting inflation back under control was the primary focus by central banks in 2022, with rapid switch from monetary expansionary policy to contractionary policy. During 2022, the US Federal Reserve significantly raised its benchmark interest rate by 425 basis points from 0-0.25% to 4.25-4.5%. This would undoubtedly affect capital flows, investments and global demands.

The manufacturing and trading businesses of the Group and its associated companies and their operations were inevitably disrupted and negatively hit under such multiple headwinds and tough macro-environment. The Group has been vigilant in monitoring and managing its operations in light of the challenges. We made tactical adjustments and considered that online business is less vulnerable to the prevailing environment. Accordingly, we explored the business of online information and digital marketing services through our PRC subsidiary in Xinjiang.

^{*} For identification purpose only

BUSINESS REVIEW

In 2022, sales on trading of electronic products, accessories and raw materials remained as the Group's primary stream of revenue. Revenue from manufacturing of electronic products accounted for 27.3% of our overall revenue in 2022 while it accounted for 15.5% in 2021. However, given the negative impact on industries relating to semiconductors, electronic components and products under the abovementioned macroenvironment, particularly in China, our revenue growth momentum was significantly weakened since the second quarter of the year. Uncertainties in operation disruptions left us no choice but downsize our scale and therefore we recorded substantial drop in revenue in the second half of 2022. Accordingly, the total revenue of the Group decreased by 20.4% from HK\$82.5 million in 2021 to HK\$65.7 million in 2022. Although our overall gross profit margin was 5.0% and remained at similar level as compared to 2021, our gross profit decreased by HK\$0.7 million from HK\$4.0 million in 2021 to HK\$3.3 million in 2022, due to the aforesaid drop in revenue.

To cope with the unfavourable environment and to diversify our sources of revenue, we explored the business of online information and digital marketing services and initially recorded revenue since the second half of 2022.

FINANCIAL REVIEW

	2022	2021
Total operation-related expenses	HK\$'000	HK\$'000
Administrative expenses		
Staff costs	5,798	5,119
 Depreciation of right-of-use assets* 	1,576	1,954
 Written off/provision for allowance of inventories 	3,750	428
— Others	3,574	6,108
Impairment losses for right-of-use assets	2,080	_
Impairment losses for trade receivables	49	503
(Reversal of impairment losses)/impairment losses		
for other receivables	(130)	1,431
Other operating losses	250	250
	16,947	15,793

^{*} Excluding depreciation of right-of-use assets included in cost of sales

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\$0.7 million from HK\$5.1 million in 2021 to HK\$5.8 million in 2022. 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\$1.1 million. Excluding the effect of share options, the staff costs dropped by HK\$0.4 million under tightened control and downsize in operation scale.

Depreciation of right-of-use assets decreased by HK\$0.4 million from HK\$2.0 million in 2021 to HK\$1.6 million in 2022, mainly due to the termination of leases to preserve the resources of the Group. Impairment losses of HK\$2.1 million was provided in 2022 for the factory under right-of-use assets due to the above-mentioned uncertainties in operation and disruptions.

To deal with the obsolete raw materials and stocks, the Group recorded sales of scrap, included in other revenue, amounted to HK\$1.4 million in 2022 whereas it did not have such sales in 2021. The Group also wrote off of/made allowance for inventories of HK\$3.8 million in 2022, increased by HK\$3.4 million from HK\$0.4 million in 2021.

The total operation-related expenses increased by HK\$1.1 million from HK\$15.8 million in 2021 to HK\$16.9 million in 2022, mainly due to (i) the aforesaid increase in staff costs; (ii) impairment losses of right-of-use assets; (iii) increase in written-off/provision for allowance of inventories; partially offset by (iv) general savings in administrative and operating expenses resulting from tightened cost control and downsize in operation to preserve our resources under the tough and uncertain environment; (v) the decrease in depreciation of right-of-use assets and (vi) the decrease in impairment loss for trade and other receivables resulting from the drop in their expected credit loss.

Finance costs represented imputed interest on lease liabilities and convertible bonds and the costs increased from HK\$1.5 million in 2021 to HK\$2.0 million in 2022. The increase was mainly due to the increase in imputed interest on convertible bonds as the old convertible bonds was expired on 14 March 2021 whereas the new convertible bonds was issued on 2 July 2021.

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 and operation disruptions mentioned above. Accordingly, the associate continued to contribute negatively to our bottom line. We recorded a total of HK\$9.9 million of share of loss of the associate and its goodwill impairment in 2021 whereas we shared HK\$7.2 million of its loss in 2022.

Loss Attributable to Owners of the Company

The Group recorded a loss attributable to owners of the Company of HK\$18.4 million in 2022, representing an decrease of HK\$4.2 million from HK\$22.6 million in 2021, mainly due to the aforementioned drop in gross profit and increase in total operation-related expenses was more than offset by the increase in other revenue, the reduction in the aggregate of share of loss of the associate and its goodwill impairment, and the increase in share of loss by non-controlling interests in loss making subsidiaries.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Below is a summary of the key financial ratio:

		As at 31 December		
	Notes	2022	2021	
Current ratio	1	0.67	1.32	
Quick ratio	2	0.67	1.26	
Gearing ratio	3	20.99	0.99	

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.

On 2 July 2021, convertible bonds in an aggregate principal amount of HK\$20,000,000 with 4% interest per annum and two-year lifespan were issued under the general mandate granted to the Directors to Mr. Wu Xiongbin. Assuming full conversion at the conversion price of HK\$0.12, the convertible bonds will be convertible into 166,666,666 conversion Shares.

During the year ended 31 December 2022, there was no material change to the capital structure of the Group. The change in the ratios of the above table was contributed largely by the loss incurred during the year 2022 and the change of the abovementioned \$20 million convertible bonds, which will be matured in July 2023, from non-current liabilities to current liabilities. The Group kept monitoring its cash level and debt level and maturity. It would consider different ways of financing in order to strengthen the Group's capital base and liquidity, including but not limited to negotiating with the existing convertible bond holder, issuance of new bonds, obtaining additional financial assistance from shareholders or Directors, seeking new banking facilities and carrying out further cost controls. In these regards, the Company will publish announcement as and when appropriate according to the requirements under the applicable listing rules.

As at 31 December 2022, there were outstanding convertible bonds with the aggregate principal amount of HK\$20 million (31 December 2021: HK\$20 million). As at 31 December 2022, the Group had approximately HK\$1.7 million in bank and cash balances (31 December 2021: HK\$2.6 million).

CAPITAL COMMITMENTS

Saved for those disclosed in this announcement, the Group did not have any other significant capital commitments as at 31 December 2022 and 2021.

CAPITAL EXPENDITURE

Saved for those disclosed in this announcement, the Group did not have any other significant capital expenditure for the year ended 31 December 2022 and 2021.

CHARGES ON ASSETS

As at 31 December 2022 and 2021, 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.

CONTINGENT LIABILITIES

Saved for those disclosed in this announcement, the Group did not have any other contingent liabilities as at 31 December 2022 and 2021.

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

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 2022 and there were no other material acquisitions and disposals of subsidiaries by the Group for the year ended 31 December 2022.

OUTLOOK

At the turn of the year, 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 have substantially been relaxed in the first quarter of 2023. The US Federal Reserve also took a less aggressive approach in its contractionary policy. Although 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 and new norms. Being one-stop service provider to our customers, our aim is to respond to changing customer needs by providing enhanced business solutions through value-added services. The new whollyowned subsidiary in Kashi, Xinjiang, was set up to explore the business of online information and digital marketing services. Through private market place structure and data management platform, customers can designate advertising to specific website media and reach target audience.

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.

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 2022.

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 ("Code Provision(s)") 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 2022. The Group strives to achieve sound corporate governance standards as far as practicable and utilizes our resources efficiently and effectively.

Code Provision C.2 stipulates the role of the chairman of the Board. Code provision C.2.1 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 2022, the Company did not have the chairman of the Board and the chief executive officer. 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 C.2.2 to C.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 D.1.2 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 3.08 and Chapter 17 of the GEM Listing Rules. Previously, the Board was provided quarterly update and information as and when appropriate. The Company complied with this Code Provision since the second quarter of 2022.

As at the date of this announcement, following the resignation of Mr. Zheng Wan Zhang on 13 February 2023, the Board comprises four members with two executive Directors and two independent non-executive Directors while the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company comprise only two members. This results in non-compliance with the requirements under Rules 5.05(1) and 5.28 of the GEM Listing Rules and the terms of reference of the respective committees. 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. Details are set out in the announcement of the Company dated 13 February 2023.

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.

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.

Disclosure of financial information in this announcement complies with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements. The Company's Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2022.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's auditors, McMillan Woods (Hong Kong) CPA Limited ("McMillan Woods"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by McMillan Woods in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by McMillan Woods on this announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2022:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements, which indicates that the Group incurred a loss attributable to owners of the Company of approximately HK\$18,377,000 for the year ended 31 December 2022 and the Group had net current liabilities of approximately HK\$12,322,000 as at 31 December 2022. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon the outcomes of the Group to (i) attain profitable and positive cash flows from operations; and (ii) reach an agreement with the holder of the outstanding convertible bonds of the Company to extend the repayment term of the convertible bonds for at least 12 months.

By order of the Board

Millennium Pacific Group Holdings Limited

Zhou Chuang Qiang

Executive Director

Hong Kong, 29 March 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. Wong Tik Tung, and Mr. Man Wai Lun.

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).