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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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 and six months ended 30 June 2020 together with the unaudited comparative figures for the corresponding periods in 2019 as follows:

		Three months ended 30 June		**Six months ended 30 June**	
		2020	2019	**2020**	2019
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	Notes	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Revenue	*4*	**43,958**	38,909	**69,296**	60,422
Cost of sales		**(42,319)**	(36,864)	**(66,912)**	(54,690)
Gross profit		**1,639**	2,045	**2,384**	5,732
Other income and gains	*5*	**–**	14,595	**1**	15,235
Selling and distribution costs		**(13)**	(47)	**(51)**	(173)
Administrative expenses		**(2,471)**	(12,077)	**(6,553)**	(17,564)
Profit/(loss) from operation		**(845)**	4,516	**(4,219)**	3,230
Finance costs		**(577)**	(510)	**(1,133)**	(719)
Share of results of associates, net		**399**	514	**(35)**	709
Profit/(loss) before tax		**(1,023)**	4,520	**(5,387)**	3,220
Income tax expense	*6*	**–**	1	**–**	(43)
Profit/(loss) for the period	*7*	**(1,023)**	4,521	**(5,387)**	3,177
Other comprehensive income/(loss) for the period net of tax:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		**44**	(1,067)	**(170)**	(577)
Reclassification of exchange reserve to profit or loss on disposal of subsidiaries		**–**	(1,585)	**–**	(1,585)
Share of other comprehensive income of associate		**(366)**	–	**(366)**	–
Other comprehensive income/(loss) for the period		**(322)**	(2,652)	**(536)**	(2,162)
Total comprehensive income/(loss) for the period		**(1,345)**	1,869	**(5,923)**	1,015

	Notes	Three months ended 30 June **2020** ***HK$'000*** **(unaudited)**	2019 *HK$'000* (unaudited)	Six months ended 30 June **2020** ***HK$'000*** **(unaudited)**	2019 *HK$'000* (unaudited)
Profit/(loss) for the period attributable to:					
— Owners of the Company		**(1,013)**	4,318	**(5,361)**	2,333
— Non-controlling interests		**(10)**	203	**(26)**	844
		(1,023)	4,521	**(5,387)**	3,177
Total comprehensive income/(loss) for the period attributable to:					
— Owners of the Company		**(1,340)**	1,714	**(5,861)**	191
— Non-controlling interests		**(5)**	155	**(62)**	824
		(1,345)	1,869	**(5,923)**	1,015
Earnings/(loss) per share (cents)					
— Basic	*9*	**(0.08)**	0.62	**(0.57)**	0.34
— Diluted	*9*	**(0.08)**	0.62	**(0.57)**	0.34

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2020 *HK$'000* (unaudited)**	31 December 2019 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**681**	906
Right-of-use assets		**4,487**	779
Investment in an associate		**29,978**	30,379
Investment in a joint venture		**15**	15
		35,161	32,079
Current assets			
Inventories		**7,346**	601
Trade receivables	*11*	**33,671**	65,940
Prepayments and deposits		**15,418**	13,209
Current tax assets		**7**	–
Bank and cash balances		**2,118**	1,465
		58,560	81,215
Current liabilities			
Trade payables	*12*	**16,949**	45,668
Other payables, deposits received and accrued expenses		**3,374**	6,595
Convertible bonds		**19,997**	18,934
Lease liabilities		**2,536**	869
Current tax liabilities		**–**	625
		42,856	72,691
Net current assets		**15,704**	8,524
Total assets less current liabilities		**50,865**	40,603
Non-current liabilities			
Lease liabilities		**2,101**	–
NET ASSETS		**48,764**	40,603
Capital and reserves			
Share capital	*13*	**1,649**	1,427
Reserves		**45,232**	37,231
		46,881	38,658
Non-controlling interests		**1,883**	1,945
TOTAL EQUITY		**48,764**	40,603

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$'000*	Share premium *HK$'000*	Statutory reserve *HK$'000*	Merger reserve *HK$'000*	Option reserve *HK$'000*	Foreign currency translation reserve *HK$'000*	Equity component of convertible bonds *HK$'000*	Financial assets at FVTOCI reserve *HK$'000*	Accumulated losses *HK$'000*	Total reserve *HK$'000*	Non-controlling interests *HK$'000*	Total equity/ (Capital deficiency) *HK$'000*
Balance at 1 January 2019 (audited)	1,111	71,644	766	12,400	36,581	1,672	–	125	(119,811)	3,377	1,151	5,639
Total comprehensive income/(loss) (unaudited)	–	–	–	–	–	(2,142)	–	–	2,333	191	824	1,015
Placing of new shares (net of share issue expenses) (unaudited)	120	8,829	–	–	–	–	–	–	–	8,829	–	8,949
Recognition of share-based payments (unaudited)	–	–	–	–	8,586	–	–	–	–	8,586	–	8,586
Transfer of share option reserve upon the cancellation of share options (unaudited)	–	–	–	–	(43,785)	–	–	–	43,785	–	–	–
Issue of convertible bonds (unaudited)	–	–	–	–	–	–	2,650	–	–	2,650	–	2,650
Balance at 30 June 2019 (unaudited)	1,231	80,473	766	12,400	1,382	(470)	2,650	125	(73,693)	23,633	1,975	26,839
Balance at 1 January 2020 (audited)	**1,427**	**97,342**	**–**	**–**	**2,049**	**(656)**	**2,650**	**–**	**(64,154)**	**37,231**	**1,945**	**40,603**
Total comprehensive income/(loss) (unaudited)	**–**	**–**	**–**	**–**	**–**	**(500)**	**–**	**–**	**(5,361)**	**(5,861)**	**(62)**	**(5,923)**
Placing of new shares (net of share issue expenses) (unaudited)	**222**	**13,195**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,195**	**–**	**13,417**
Recognition of share-based payments (unaudited)	**–**	**–**	**–**	**–**	**667**	**–**	**–**	**–**	**–**	**667**	**–**	**667**
Balance at 30 June 2020 (unaudited)	**1,649**	**110,537**	**–**	**–**	**2,716**	**(1,156)**	**2,650**	**–**	**(69,515)**	**45,232**	**1,883**	**48,764**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	**(12,153)**	(20,304)
Net cash from investing activities	**1**	–
Net cash from financing activities	**12,830**	28,949
Net increase/(decrease) in cash and cash equivalents	**678**	8,645
Effect of foreign exchange rate changes	**(25)**	13
Cash and cash equivalents at beginning of the period	**1,465**	2,025
Cash and cash equivalents at end of the period	**2,118**	10,683
Analysis of cash and cash equivalents		
Bank and cash balances	**2,118**	10,683

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE 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 Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its headquarters in the PRC 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 its 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 "**Listing**").

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

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The unaudited condensed consolidated financial statements of the Group are presented in Hong Kong dollars, which is the functional currency of the Company.

The unaudited condensed consolidated results of the Group for the six months ended 30 June 2020 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 2019 (the "**2019 Consolidated Financial Statements**"). Except as described in paragraph headed "Change in accounting policies and disclosures" below, the accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated results are consistent with those used in the 2019 Consolidated Financial Statements.

Changes in accounting policies and disclosures

The following new and amended standards and interpretations are mandatory for the first time for financial year beginning 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

3. SEGMENT INFORMATION

Operating segment information

The Group is engaged in the (i) research, development, manufacturing and trading of electronic devices and (ii) provision of software application development services. However, as the segment of provision of software application development services do not meet the quantitative thresholds for determining reportable segments, information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole. The Group's resources are integrated and as a result, no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

Non-current assets of the Group is presented based on the following geographical location:

	As at 30 June 2020 *HK$'000*	As at 31 December 2019 *HK$'000*
Hong Kong	**4,509**	790
PRC	**659**	895
	5,168	1,685

4. REVENUE

Revenue represents the invoiced values of goods sold, after allowances for returns and discounts during the reporting periods.

	Three months ended 30 June		**Six months ended 30 June**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Products transferred at a point in time:				
Sales of manufactured products	**890**	1,019	**3,077**	6,405
Sales on trading of electronic products, accessories and raw materials	**43,068**	37,356	**66,219**	49,982
	43,958	38,375	**69,296**	56,387
Services transferred over time:				
Provision of application software development services	**–**	534	**–**	4,035
	43,958	38,909	**69,296**	60,422

5. OTHER INCOME AND GAINS

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest income	**–**	1	**1**	2
Gain on disposal of subsidiaries	**–**	12,853	**–**	12,853
Government grants	**–**	734	**–**	734
Reversal of impairment of inventories	**–**	985	**–**	1,624
Others	**–**	22	**–**	22
	–	14,595	**1**	15,235

6. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Current tax — PRC Enterprise Income Tax ("**EIT**")				
Provision for the period	**–**	1	**–**	(43)

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2020 and 2019 as the Group's Hong Kong subsidiaries did not generate any assessable profit for the six months ended 30 June 2020 and 2019.

No provision for PRC EIT is required for the six months ended 30 June 2020 as the Group's PRC subsidiaries did not generate any assessable profit for the six months ended 30 June 2020 (2019: PRC EIT is provided at 25% based on assessable profits of the Group's entities operate in PRC).

7. PROFIT/(LOSS) FOR THE PERIOD

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020	2019	**2020**	2019
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Depreciation	*(a)*				
— Owned assets		**91**	(24)	**207**	320
— Right-of-use assets		**656**	694	**1,348**	1,389
Staff costs (including Directors' emoluments)	*(b)*				
— Salaries, bonus and allowances		**474**	1,150	**1,569**	2,514
— Share-based payments		**334**	6,786	**667**	8,586
— Retirement benefits scheme contributions		**32**	52	**48**	88
		840	7,988	**2,284**	11,188
Cost of inventories sold		**42,442**	37,472	**66,798**	54,545
Foreign exchange loss/(gain), net		**(5)**	232	**(4)**	235
Operating lease charges in respect of premises	*(c)*	**96**	84	**202**	155
Auditor's remuneration		**244**	30	**254**	80
Reversal of allowance for inventories		**–**	(986)	**–**	(1,624)

Notes:

(a) Depreciation of property, plant and equipment of approximately HK$89,000 (2019: HK$129,000) and HK$202,000 (2019: HK$212,000) for the three and six months ended 30 June 2020 respectively is included in cost of sales.

(b) Staff costs of approximately HK$208,000 (2019: HK$229,000) and HK$282,000 (2019: HK$533,000) for the three and six months ended 30 June 2020 respectively is included in cost of sales.

(c) Operating lease charges in respect of premises of HK$43,000 (2019: Nil) and approximately HK$86,000 (2019: HK$26,000) for the three and six months ended 30 June 2020 respectively is included in cost of sales.

8. DIVIDEND

No dividend was declared or paid during the three and six months ended 30 June 2020 (three and six months ended 30 June 2019: Nil).

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	**2020**	2019
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit/(loss)				
Profit/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share *(HK$'000)*	**(1,013)**	4,318	**(5,361)**	2,333
Number of shares				
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	**1,001,745,388**	694,323,113	**946,810,179**	695,562,627

Diluted earnings/(loss) per share

No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2020 and 2019 in respect of dilution as the outstanding share options and convertible bonds had no dilutive effect on the basic earnings per share amount presented.

For the purpose of calculation of basic and diluted loss per share for the periods ended 30 June 2020 and 2019, the share consolidation of the Company being effective on 29 May 2019 was deemed to be effective throughout both periods.

10. TRADE RECEIVABLES

	As at 30 June 2020	As at 31 December 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**36,756**	69,025
Allowance for doubtful debts	**(3,085)**	(3,085)
	33,671	65,940

The Group's trading terms with its major customers is either on credit or to provide the Group with irrevocable letters of credit issued by reputable banks, with terms within 60 to 90 days. Overdue balances are reviewed regularly by the Directors.

An ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	As at 30 June 2020 *HK$'000* **(unaudited)**	As at 31 December 2019 *HK$'000* (audited)
0 to 30 days	**7,889**	40,269
31 to 60 days	**7,315**	2,501
61 to 90 days	**1,534**	3,052
Over 90 days	**16,933**	20,118
	33,671	65,940

11. TRADE PAYABLES

	As at 30 June 2020 *HK$'000* **(unaudited)**	As at 31 December 2019 *HK$'000* (audited)
Trade payables	**16,949**	45,668

An ageing analysis of trade payables based on invoice date as at the reporting dates are as follows:

	As at 30 June 2020 *HK$'000* **(unaudited)**	As at 31 December 2019 *HK$'000* (audited)
0 to 30 days	**–**	35,848
31 to 60 days	**–**	2,464
61 to 90 days	**–**	3,786
Over 90 days	**16,949**	3,570
	16,949	45,668

12. SHARE CAPITAL

	Number of ordinary shares	
	Number of shares	*HK$'000*
Authorised		
As at 31 December 2019 (audited), 1 January 2020	6,250,000,000	10,000
As at 30 June 2020 (unaudited)	6,250,000,000	10,000
Issued		
As at 31 December 2019 (audited), 1 January 2020	891,874,970	1,427
Add: Placing of new shares *(Note 1)*	138,864,000	222
As at 30 June 2020 (unaudited)	1,030,738,970	1,649

Note 1: On 20 April 2020, an aggregate of 138,864,000 new shares were issued upon completion of the placing pursuant to the placing agreement entered into by the Company and the placing agent, Aristo Securities Limited, on 27 March 2020 (as supplemented by a supplemental agreement dated 14 April 2020) at the placing price of HK$0.10 per placing share. The new shares were issued under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 20 June 2019. Details are set out in the announcements of the Company dated 27 March 2020, 14 April 2020 and 20 April 2020.

13. SHARE OPTION SCHEMES

On 20 June 2014, written resolution of the shareholders of the Company was passed to conditionally approve and adopt two share option schemes namely, Pre-IPO Share Option Scheme ("**Pre-IPO Share Option Scheme**") and Share Option Scheme ("**Share Option Scheme**") to recognise and motivate the contributions that eligible participants have made or may make to the Group. The Pre-IPO Share Option Scheme was valid and effective for a period commencing from 20 June 2014 to the date immediately prior to the Listing of the Company (i.e. 17 July 2014), after which no further option to be granted, but the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme.

The Share Option Scheme adopted by the Company on 20 June 2014 will remain in force for a period of ten years from its effective date to 19 June 2024.

Particulars of the Pre-IPO Share Option Scheme and Share Option Scheme of the Company are set out in Appendix IV to the Company's prospectus dated 27 June 2014.

Pursuant to the resolution of the shareholders of the Company passed on 20 June 2014, it was resolved to grant 2,000,000 share options to an employee under the Pre-IPO Share Option Scheme, to subscribe for shares of the Company at an exercise price of HK$1.35 per option. The share options granted under the Pre-IPO Share Option Scheme are exercisable for a period from the date immediately prior to the Listing of the Company to 19 June 2016. During the year ended 31 December 2016, 97,200,000 share options, being the adjusted outstanding share options of the 2,000,000 shares options granted under the Pre-IPO Share Option Scheme following two share subdivisions of the Company on 8 January 2015 and 9 October 2015 respectively, were lapsed following its expiry on 19 June 2016.

Pursuant to the resolution of the board of directors passed on 19 December 2017, it was resolved to grant an aggregate of 500,000,000 share options to three directors and seven employees under the Share Option Scheme, to subscribe for shares of the Company of HK$0.0002 each at an exercise price of HK$0.1632 per option ("**Old Options**").

On 4 June 2019, it was resolved by the Company to cancel the 62,500,000 outstanding Old Options and subject to the irrevocably and unconditionally agreement of each of grantees to the cancellation of their respective Old Options and to grant 68,720,000 new share options with exercise price of HK$0.2412 per share (the "**New Options**") entitling the grantees to subscribe for 68,720,000 shares of the Company. Details are set out in the announcement of the Company dated 4 June 2019.

Details of share options outstanding and their related weighted average exercise price as follows:

	Six months ended 30 June 2020		Six months ended 30 June 2019	
	2020		2019	
	Number of options	**Weighted average exercise price** *HK$*	Number of options	Weighted average exercise price *HK$*
Outstanding at the beginning of the period	**61,964,000**	**0.2412**	500,000,000	0.1632
Adjustment for share consolidation	**–**	**N/A**	(437,500,000)	N/A
Granted during the period	**–**	**N/A**	68,720,000	0.2412
Lapsed during the period	**(11,680,000)**	**0.2412**	–	–
Cancelled during the period	**–**	**N/A**	(62,500,000)	1.3056
Outstanding at the end of the period	**50,284,000**	**0.2412**	68,720,000	0.2412
Exercisable at the end of the period	**31,898,000**	**0.2412**	20,268,000	0.2412

14. CONTINGENT LIABILITIES

At 30 June 2020 and 31 December 2019, the Group did not have any contingent liabilities.

15. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with its related parties during the reporting periods.

Key management compensation

Key management mainly represents the Company's Directors. Remuneration for key management personnel of the Group is as follows:

	Three months ended 30 June		**Six months ended 30 June**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Salaries and allowances	**390**	405	**780**	700
Retirement benefits scheme contributions	**–**	–	**–**	–
	390	405	**780**	700

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is principally engaged in research and development, manufacture and sales of electronic devices, including fitness bracelets, GPS personal navigation devices, mobile internet devices and TV set-top boxes and provision of application software development services. The Group provides one-stop services to its customers by offering design, prototyping/sampling manufacturing, assembling and packaging of its products.

Revenue of the Group for the six months ended 30 June 2020 (the "**Reporting Period**") was approximately HK$69.3 million, representing an increase of approximately 14.7% from approximately HK$60.4 million for the six months ended 30 June 2019 (the "**Corresponding Period**"). The increase in revenue was mainly attributable to increase in revenue of sales on trading of electronic products, accessories and raw materials, generating revenue of approximately HK$66.2 million for the Reporting Period compared to approximately HK$50.0 million for the Corresponding Period.

Outlook

The management carefully considered the market factors such as impact of COVID-19, impact of US-China relations, market trends, capital expenditures and development cycles when selecting the product mix to which the Group should focus and devote its resources. The Group will monitor the economic environment and then continue to develop and expand its businesses as and when appropriate.

It is the Group's corporate mission to continue to explore ways to improve its financial performance and to broaden the sources of revenue within acceptable risk level. Hence, the Company does not rule out the possibility of investing in or changing to other business as long as it is in the interest of the Company and the shareholders as a whole. Also, as part of its routine exercise, the Company reviews the performance of its existing business portfolio and evaluates possible investment opportunities available to the Company from time to time. Subject to the result of such review and the then market and economy situation, the Company may make suitable investment decisions which may involve the disposal of the whole or part of its existing business portfolio and/or change of the asset allocation of its business and investment portfolio and/or expanding its business portfolio with a view of realizing and/or optimizing the expected return and minimizing the risks. Meanwhile, the Company does not preclude the possibility that the Company 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, as the Company has from time to time been approached by investors for potential investment projects. In these regards, the Company will publish announcement as and when appropriate according to applicable rules and regulations.

Financial Review

Cost of Sales and Gross Profit

The majority of the Group's cost of sales was costs of merchandises and raw materials. The Group's cost of sales during the Reporting Period increased by 22.3% to approximately HK$66.9 million compared to the Corresponding Period which was driven by the increase in revenue. The gross profit margin for the Reporting Period was approximately 3.4% while that for the Corresponding Period was approximately 9.5%. The gross profit margin decreased because the absence of revenue provision of application software development services in the Reporting Period which had higher profit margin.

The proportion in sales on trading of electronic products increased to approximately 95.6% of the total revenue for the Reporting Period (Corresponding Period: 82.7%). The proportion in sales of manufactured products decreased to approximately 4.4% of the total revenue for the Reporting Period (Corresponding Period: 10.6%). However, due to the outbreak of COVID-19 during the Reporting Period, there was no revenue of provision of application software development services was recorded (Corresponding Period: 6.7%).

Expenses

Staff costs of the Group for the Reporting Period was approximately HK$2.3 million, representing a decrease of approximately HK$8.9 million as compared with staff costs for the Corresponding Period of approximately HK$11.2 million. Such decrease in staff costs was attributed to the recognition of share-based payment expenses decreased during the Reporting Period.

The administrative expenses of the Group for the six months ended 30 June 2020 was approximately HK$6.6 million (Corresponding Period: approximately HK$17.6 million), representing a decrease of approximately HK$11.0 million as compared with that of last year, which was mainly due to the decrease in staff costs of HK$8.9 million during the Reporting Period.

Profit/(Loss) for the Period

The Group incurred a net loss of approximately HK$5.4 million during the six months ended 30 June 2020, as compared with a net profit of approximately HK$3.2 million for the six months ended 30 June 2019. This is mainly due to (i) absence of a gain on disposal of subsidiaries of approximately HK$12.9 million in the Reporting Period; (ii) absence of other income of a reversal of provision for inventories and government subsidy in an aggregate amount of approximately HK$2.4 million; and net off by (iii) a decrease in administrative expense due to the decrease in staff cost of approximately HK$8.9 million as compared to the Corresponding Period.

The Board does not recommend the payment of dividends for the six months ended 30 June 2020.

Liquidity, Financial Resources and Capital Structure

Historically, the Group has funded its liquidity and capital requirements primarily through operating cash flows, and funds from the listing of the Company's shares on GEM of the Stock Exchange. The Group requires cash primarily for working capital needs. As at 30 June 2020, the Group had bank and cash balances of approximately HK$2.1 million (31 December 2019: approximately HK$1.5 million). The Board kept monitoring the cash level of the Group and would consider different ways of financing in order to ensure the sufficiency of cash.

Placing of New Shares under General Mandate

On 20 April 2020, an aggregate of 138,864,000 new shares were issued upon completion of the placing pursuant to the placing agreement entered into by the Company and the placing agent, Aristo Securities Limited, on 27 March 2020 (as supplemented by the supplemental agreement dated 14 April 2020) at the placing price of HK$0.10 per placing share. The new shares were issued under the general mandate granted to the Directors of the Company at the annual general meeting of the Company held on 20 June 2019. The gross proceeds and net proceeds from the placing were approximately HK$13.9 million and HK$13.3 million, respectively which was intended to be used for providing additional general working capital of the Group. Details are set out in the announcements of the Company dated 27 March 2020, 14 April 2020 and 20 April 2020. As at the date of this announcement, the net proceeds of approximately HK$12.6 million from the Placing had been used as working capital as intended and the remaining net proceeds of approximately HK$0.7 million will be used as intended.

In order to strengthen the Group's capital base and liquidity in the foreseeable future, the Group is trying to take various measures, 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 Expenditure

During the six months ended 30 June 2020, the Group did not acquire property, plant and equipment (six months ended 30 June 2019: HK$3,358,000).

Capital Commitments

The Group did not have any significant capital commitments as at 30 June 2020 (as at 31 December 2019: Nil).

Debt to Equity Ratio

As at 30 June 2020, the Group's gearing ratio was approximately 0.5 (as at 31 December 2019: 0.5).

Note: Gearing ratio is calculated as the total debt divided by total equity. For the avoidance of doubt, total debt includes liability component of convertible bonds and lease liabilities.

Foreign Currency Risk

The functional currency of the Group's entities are principally denominated in either Hong Kong dollars ("**HK$**") or Renminbi ("**RMB**"). The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of respective Group entities such as United Stated dollars ("**US$**"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the Reporting Period.

Significant Investments held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

MOU for Potential Investment

On 2 December 2019, the Company entered into a non-legally binding memorandum of understanding (the "**MOU**") with 深圳市媒訊投資控股有限公司 (Shenzhen MX Investment Holdings Co., Ltd.*) ("**Shenzhen MX Investment**"). Pursuant to the MOU, subject to entering into a formal agreement, the Company will through its wholly-owned subsidiary incorporated in the PRC invest in the form of capital injection by taking up the equity interests in 深圳市媒訊隴峰科技有限公司 (Shenzhen MX Longfeng Technology Co., Ltd.*) (the "**Target Company**"), representing 51% of the registered capital of the Target Company after the capital injection (the "**Potential Investment**"). The MOU was intended to record the preliminary mutual understanding between the parties to the MOU and to serve as a start for exploration and negotiations before formal agreement being signed and for commencement of due diligence review and was not intended to be legally binding on the relevant parties. The consideration for the Potential Investment will be subject to the result of the due diligence review and feasibility study to be conducted by the Company. Directors considered that the Potential Investment represents an opportunity for the Group to form strategic alliance with Shenzhen MX Investment to enhance its stake in Cable-TV set-top box market in the PRC (the "**Project**") and is in line with the investment objectives and development strategy of the Group. Details are set out in the announcement of the Company dated 2 December 2019. As disclosed in the announcement of the Company dated 2 March 2020, both parties agreed to extend the due diligence period to 1 September 2020 having considered the outbreak of the Novel Coronavirus (COVID-19). Up to the date of this announcement, the Company and Shenzhen MX Investment have not entered into any legally binding agreement in relation to the Potential Investment.

LITIGATION

As disclosed in the announcement of the Company dated 9 December 2019, a claim in respect of dispute over certain tenancy agreements was made against a former indirect wholly-owned subsidiary of the Company disposed in March 2019, namely Central Pacific Int Technology Ltd.* (中匯洲電子(深圳)有限公司) in respect of outstanding rental and charges and the Company as guarantor for such tenancy agreements by Shenzhen Yucan Industrial Co., Ltd.* (深圳市裕燦實業有限公司) in a city of mainland China. Legal counsel is advising the Company. A court hearing had been held in May 2020 and as at the date of this announcement, the Company is still awaiting the judgement to be given by the court. The Company will publish announcement(s) to update its shareholders of any major progress to the matter as and when appropriate in accordance with the requirements of the GEM Listing Rules.

The Directors are of the view that the abovementioned claim will not have material impact on the business and operation of the Company.

Charges over Assets of the Group

As at 30 June 2020, there is no charges over assets of the Group. (31 December 2019: Nil).

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

Employees and Remuneration Policies

As at 30 June 2020, the Group had a total of 32 employees (as at 30 June 2019: 52 employees). The Group's staff costs for the six months ended 30 June 2020 amounted to approximately HK$2.3 million (six months ended 30 June 2019: HK$11.2 million). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of qualification, responsibility, experience and performance of the individual and the performance of the Group. The Group recognises the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowances. Other benefits and incentives include training and share options.

In Hong Kong, the Group has participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). In the PRC, the Group has participated in the basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, maternity insurance prescribed by the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), and housing fund prescribed by the Regulations on the Administration of Housing Fund (住房公積金管理條例). All PRC based employees have the right to participate in the social insurance and housing provident fund schemes.

Share Option Scheme

The share option scheme (the "**Share Option Scheme**") adopted by the Company on 20 June 2014 is a share incentive scheme and is established to recognize and acknowledge the contributions that eligible participants (as defined therein, including employees) have made or may make to the Group.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing from the adoption date (i.e. 20 June 2014) pursuant to the terms of the Share Option Scheme.

On 19 December 2017, the Company granted share options to certain eligible participants to subscribe for a total of 500,000,000 ordinary shares of HK$0.0002 each (the "**Old Shares**") in the issued share capital of the Company (the "**Old Options**"). The Old Options were outstanding and not yet exercised. As a result of the share consolidation whereby every eight (8) existing issued and unissued ordinary shares of par value of HK$0.0002 each in the share capital of the Company into one (1) consolidated share of par value of HK$0.0016 each took effect on 29 May 2019 (the "**Share Consolidation**"), the exercise price of the Old Options had been adjusted from HK$0.1632 per Old Share to HK$1.3056 per consolidated share and the number of shares of the Company to be issued upon exercise of the outstanding Old Options had been adjusted from 500,000,000 Old Shares to 62,500,000 consolidated shares.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% (or other percentage as stipulated in the GEM Listing Rules) of the Shares in issue from time to time. Subject to the aforesaid limit, the number of Shares which may be issued upon the exercise of all options granted or to be granted under the Share Option Scheme and any other share option schemes of the Company is 68,722,500 Shares, representing 10% of the issued Shares as at 21 June 2018, being the date of approval of the Existing Scheme Limit by the Shareholders (the "**Refreshment**"), and as adjusted following the Share Consolidation became effective on 29 May 2019. Since the Refreshment, on 4 June 2019, it was resolved by the Company to cancel the 62,500,000 outstanding Old Options and subject to the irrevocably and unconditionally agreement of each of grantees to the cancellation of their respective Old Options, to grant 68,720,000 new share options with exercise price of HK$0.2412 per share (the "**New Options**") entitling the grantees to subscribe for 68,720,000 shares of the Company. Details are set out in the announcement of the Company dated 4 June 2019. The closing price of the Shares, immediately before the grant date was HK$0.131 per Share. The average closing price of the Shares for the five business days immediately preceding the grant date was HK$0.2412 per Share. Out of the 68,720,000 newly grant Options, 18,436,000 Options had lapsed and none of the Options had been exercised and/or cancelled as at the date of this announcement.

As at 30 June 2020, 50,284,000 effective share options were outstanding.

The maximum entitlement of each participant under the Share Option Scheme is 1% of the issued Shares of the Company unless such grant has been duly approved by resolution of the shareholders of the Company in general meeting.

The exercise period of any option granted under the Share Option Scheme must not be more than 10 years commencing on the date of grant.

The acceptance amount for the option is determined by the Board from time to time.

The exercise price determined by the Board shall be at least the higher of (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant.

Subject to earlier termination by the Company in a general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period to be determined and notified by the Board to the grantee during which the option may be exercised and in any event shall not be more than 10 years commencing on the date on which the offer in relation to such option is deemed to have been accepted in accordance with the terms of the Share Option Scheme and expiring on the last day of the ten-year-period. The remaining life of the Share Option Scheme was up to 19 June 2024.

The following table discloses movements in the Company's outstanding options under the Share Option Scheme during the Reporting Period.

					No. of options				
name of grantee	date of grant of the options	on 1 January 2020	granted during the Reporting Period	exercised during the Reporting Period	lapsed during the Reporting Period	on 30 June 2020	Vesting period	exercise period options [(1)(2)]	exercise price of the options per share (HKD)
Mr. Wu Yong Fu	4 June 2019	6,756,000	Nil	Nil	Nil	6,756,000	N/A	4 June 2019 – 3 June 2029	0.2412
Mr. Chong Yu Keung	4 June 2019	6,756,000	Nil	Nil	Nil	6,756,000	N/A	4 June 2019 – 3 June 2029	0.2412
Other grantees	4 June 2019	24,226,000	Nil	Nil	5,840,000	18,386,000	4 June 2019 – 3 June 2020	4 June 2020 – 3 June 2029	0.2412
Other grantees	4 June 2019	24,226,000	Nil	Nil	5,840,000	18,386,000	4 June 2019 – 3 June 2021	4 June 2021 – 3 June 2029	0.2412
Total		61,964,000	Nil	Nil	11,680,000	50,284,000			

(1) The New Options granted to the directors will be vested immediately upon their acceptance of such New Options.

(2) The New Options granted to the employees have a vesting period of 2 years, i.e. one-half of the New Options shall be vested on the first (1st) anniversary (round down to the nearest New Option) and the remaining one-half of the New Options shall be vested on the second (2nd) anniversary of the date of grant respectively.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company endeavours to maintain high standards of corporate governance for enhancement of shareholders' value and to provide transparency, accountability and independence. The Company's corporate governance practices are based on the principles and the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 of the GEM Listing Rules. The Company adopted the Code Provisions as set out in the CG Code since the listing of the Company on 18 July 2014. During the six months ended 30 June 2020, the Company had complied with the applicable Code Provisions and mandatory disclosure requirement as set out in the CG Code, except for the following deviations in respect of which remedial steps for compliance had been taken or considered reasons are given below.

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 3.08 and Chapter 17 of the GEM Listing Rules. The management of the Company provided quarterly update to the members of the Board and the management keeps providing information and updates to the members of the Board as and when appropriate.

Compliance with the Required Standard of Dealings in Securities Transactions by Directors

The Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company effective from 18 July 2014 upon the Listing. Upon the Group's specific enquiry, each Director confirmed that, he had fully complied with the required standard of dealings and there was no event of non-compliance since its effective date up to the date of this announcement.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at 30 June 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register maintained 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 Rules 5.46 of the GEM Listing Rules were as follows:

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
Wu Yong Fu	Beneficial owner	share options *(note 2)*	6,756,000 (L)	0.66%
Chong Yu Keung	Beneficial owner	share options *(note 2)*	6,756,000 (L)	0.66%

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, details of which are disclosed in section headed "Share Option Scheme" above.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executives of the Company 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) 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 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 30 June 2020, 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%
CITIC Group Corporation *(note 3)*	Interest of controlled corporation	Ordinary Shares	55,555,555 (L)	6.23%
CITIC Polaris Limited *(note 3)*	Interest of controlled corporation	Ordinary Shares	55,555,555 (L)	6.23%
CITIC Glory Limited *(note 3)*	Interest of controlled corporation	Ordinary Shares	55,555,555 (L)	6.23%
CITIC Limited *(note 3)*	Interest of controlled corporation	Ordinary Shares	55,555,555 (L)	6.23%
CITIC Corporation Limited *(note 3)*	Interest of controlled corporation	Ordinary Shares	55,555,555 (L)	6.23%
China CITIC Bank Corporation Limited *(note 3)*	Interest of controlled corporation	Ordinary Shares	55,555,555 (L)	6.23%
CITIC New Horizon Limited *(note 3)*	Interest of controlled corporation	Ordinary Shares	55,555,555 (L)	6.23%
Extra Yield International Limited *(note 3)*	Interest of controlled corporation	Ordinary Shares	55,555,555 (L)	6.23%
Metal Link Limited *(note 3)*	Interest of controlled corporation	Ordinary Shares	55,555,555 (L)	6.23%
CITIC International Financial Holdings Limited *(note 3)*	Interest of controlled corporation	Ordinary Shares	55,555,555 (L)	6.23%
CITIC International Assets Management Limited *(note 3)*	Interest of controlled corporation	Ordinary Shares	55,555,555 (L)	6.23%
CITIC Merchant Co., Limited *(note 3)*	Interest of controlled corporation	Ordinary Shares	55,555,555 (L)	6.23%
Radiant Assets Management Limited *(note 3)*	Beneficial owner	Ordinary Shares	55,555,555 (L)	6.23%

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. The entire issued share capital of Radiant Assets Management Limited is owned by CITIC Merchant Co., Limited, which is in turn owned as to 51% by CITIC International Assets Management Limited ("**CITIC Asset Management**"). CITIC Asset Management is owned as to 46% by CITIC International Financial Holdings Limited ("**CITIC Financial Holdings**"), which is in turn wholly owned by China CITIC Bank Corporation ("**China CITIC Bank**"). China CITIC Bank is owned as to 65.37%, 0.02% and 0.58% by CITIC Corporation Limited, Extra Yield International Limited ("**Extra Yield**") and Metal Link Limited respectively. Extra Yield is owned as to 100% by CITIC New Horizon Limited, which is wholly owned by CITIC Corporation Limited ("**CITIC Corporation**"). CITIC Corporation is wholly owned by CITIC Limited which owns 100% of CITIC Corporation and 100% of Metal Link Limited. CITIC Limited is owned as to 25.60% and 32.53% by CITIC Glory Limited and CITIC Polaris Limited respectively. CITIC Glory Limited and CITIC Polaris Limited are wholly owned by CITIC Group Corporation.

Save as disclosed above, as at 30 June 2020 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.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in the information of the Directors since the publication of the 2019 annual report of the Company and up to the date of this announcement are set out below:

Since July 2020, Mr. Huang Jian, an independent non-executive Director, has ceased to be a Certified Public Accountant (Practising) in Beijing Yongtuo Certified Public Accountants* and has been a Certified Public Accountant (Practising) in Shenzhen Yongxin Ruihe Certified Public Accountants (Special General Partnership)*.

Save as disclosed above, there are no other matters required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules since the date of the 2019 annual report.

PURCHASES, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

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 Reporting Period.

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. Huang Jian (committee chairman), Mr. Zheng Wan Zhang and Mr. Wong Tik Tung.

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2020 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
Director

Hong Kong, 13 August 2020

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Wu Yong Fu, Mr. Zhou Chuang Qiang and Mr. Wang Li; one non-executive Director, namely Mr. Chong Yu Keung; and three independent non-executive Directors, namely Mr. Huang Jian, 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).

* *For identification purpose only*