

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the content of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of Millennium Pacific Group Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

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

The board of Directors (the “**Board**”) of 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 2022 together with the unaudited comparative figures for the corresponding periods in 2021 as follows:

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2022	2021	2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	4	4,479	47,414	63,952	52,522
Cost of sales		<u>(4,442)</u>	<u>(44,987)</u>	<u>(61,840)</u>	<u>(49,743)</u>
Gross profit		37	2,427	2,112	2,779
Other income		1	18	2	19
Administrative expenses		<u>(2,240)</u>	<u>(2,673)</u>	<u>(4,771)</u>	<u>(6,077)</u>
Loss from operation		(2,202)	(228)	(2,657)	(3,279)
Finance costs		(499)	(50)	(1,001)	(549)
Share of results of associates, net		<u>(47)</u>	<u>(545)</u>	<u>(2,865)</u>	<u>(1,445)</u>
Loss before tax		(2,748)	(823)	(6,523)	(5,273)
Income tax expense	5	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss for the period		<u>(2,748)</u>	<u>(823)</u>	<u>(6,523)</u>	<u>(5,273)</u>
Other comprehensive (loss)/ income for the period net of tax:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		80	25	78	30
Share of other comprehensive (loss)/income of associate		<u>(1,053)</u>	299	<u>(901)</u>	461
Other comprehensive (loss)/income for the period		<u>(973)</u>	324	<u>(823)</u>	491
Total comprehensive loss for the period		<u>(3,721)</u>	<u>(499)</u>	<u>(7,346)</u>	<u>(4,782)</u>

		Three months ended		Six months ended	
		30 June		30 June	
		2022	2021	2022	2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Notes		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss for the period					
attributable to:					
	— Owners of the Company	(2,471)	(807)	(6,137)	(5,238)
	— Non-controlling interests	(277)	(16)	(386)	(35)
		<u>(2,748)</u>	<u>(823)</u>	<u>(6,523)</u>	<u>(5,273)</u>
Total comprehensive					
(loss)/income for the period					
attributable to:					
	— Owners of the Company	(3,386)	(506)	(6,912)	(4,767)
	— Non-controlling interests	(335)	7	(434)	(15)
		<u>(3,721)</u>	<u>(499)</u>	<u>(7,346)</u>	<u>(4,782)</u>
Loss per Share (cents)					
	— Basic	7 <u>(0.24)</u>	<u>(0.08)</u>	<u>(0.60)</u>	<u>(0.51)</u>
	— Diluted	7 <u>(0.24)</u>	<u>(0.08)</u>	<u>(0.60)</u>	<u>(0.51)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022	31 December 2021
		HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	8	295	124
Right-of-use assets		2,862	4,285
Investments in associates		18,951	22,717
Investment in a joint venture		—	—
		<u>22,108</u>	<u>27,126</u>
Current assets			
Inventories		4,205	3,214
Trade receivables	9	57,480	54,330
Other receivables, prepayments and deposits		11,182	9,781
Bank and cash balances		4,641	2,608
		<u>77,508</u>	<u>69,933</u>
Current liabilities			
Trade payables	10	30,217	35,021
Other payables, deposits received and accrued expenses	11	30,181	15,269
Lease liabilities		1,542	2,129
Current tax liabilities		400	418
		<u>62,340</u>	<u>52,837</u>
Net current assets		<u>15,168</u>	<u>17,096</u>
Total assets less current liabilities		<u>37,276</u>	<u>44,222</u>

		30 June 2022	31 December 2021
		HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(audited)
Non-current liabilities			
Convertible bonds		19,602	18,673
Lease liabilities		1,376	2,213
		<u>20,978</u>	<u>20,886</u>
NET ASSETS		<u>16,298</u>	<u>23,336</u>
Capital and reserves			
Share capital	<i>12</i>	1,649	1,649
Reserves		12,508	19,112
		<u>14,157</u>	<u>20,761</u>
Non-controlling interests		<u>2,141</u>	<u>2,575</u>
TOTAL EQUITY		<u>16,298</u>	<u>23,336</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to the owners of the Company								
	Share capital <i>HKS'000</i>	Share premium <i>HKS'000</i>	Option reserve <i>HKS'000</i>	Foreign currency translation reserve <i>HKS'000</i>	Equity component of convertible bonds <i>HKS'000</i>	Accumulated losses <i>HKS'000</i>	Total reserve <i>HKS'000</i>	Non-controlling interests <i>HKS'000</i>	Total equity <i>HKS'000</i>
Balance at 1 January 2021 (audited)	1,649	110,537	2,660	884	2,650	(78,054)	38,677	1,989	42,315
Recognition of share-based payments (unaudited)	-	-	68	-	-	-	68	-	68
Total comprehensive loss for the period (unaudited)	-	-	-	471	-	(5,238)	(4,767)	(15)	(4,782)
Reclassify of equity component of convertible bonds upon maturity	-	-	-	-	(2,650)	2,650	-	-	-
Balance at 30 June 2021 (unaudited)	<u>1,649</u>	<u>110,537</u>	<u>2,728</u>	<u>1,355</u>	<u>-</u>	<u>(80,642)</u>	<u>33,978</u>	<u>1,974</u>	<u>37,601</u>
Balance at 1 January 2022 (audited)	1,649	110,537	1,390	1,633	2,212	(96,660)	19,112	2,575	23,336
Recognition of share-based payments (unaudited)	-	-	308	-	-	-	308	-	308
Total comprehensive loss for the period (unaudited)	-	-	-	(775)	-	(6,137)	(6,912)	(434)	(7,346)
Balance at 30 June 2022 (unaudited)	<u>1,649</u>	<u>110,537</u>	<u>1,698</u>	<u>858</u>	<u>2,212</u>	<u>(102,797)</u>	<u>12,508</u>	<u>2,141</u>	<u>16,298</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash from/(used in) operating activities	3,562	(870)
Net cash (used in)/from investing activities	(192)	1
Net cash (used in)/from financing activities	(1,325)	8,269
Net increase in cash and cash equivalents	2,045	7,400
Effect of foreign exchange rate changes	(12)	13
Cash and cash equivalents at beginning of the period	2,608	1,261
Cash and cash equivalents at end of the period	4,641	8,674
Analysis of cash and cash equivalents:		
Bank and cash balances	4,641	8,674

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempt company with limited liability under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 10 September 2013. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its headquarters in the People's Republic of China (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 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 shares of the Company (the "Shares") are listed on GEM of the Stock Exchange since 18 July 2014.

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

2. BASIS OF PRESENTATION

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 2022 do not include all the information and disclosures required in the annual financial statements of the Group and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2021 (the "2021 Consolidated Financial Statements"). The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated results are consistent with those used in the 2021 Consolidated Financial Statements, except for those new and revised HKFRSs and interpretation issued by the HKICPA that are adopted for the first time in the unaudited condensed consolidated financial statements for the six months ended 30 June 2022. The adoption of these new and revised HKFRSs had no significant effects on the results and financial position of the Group for the current and prior periods.

3. SEGMENT INFORMATION

Operating segment information

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

Geographical information

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

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
Hong Kong	1	560
PRC	3,156	3,849
	3,157	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:

	Six months ended 30 June	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Hong Kong	46,045	52,237
PRC	17,907	285
	63,952	52,522

Information about major customers

Revenues from customers contributing over 10% of the total revenue of the Group are as follows:

	Six months ended 30 June	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Customer A	–	47,280
Customer B	20,343	–
Customer C	15,992	–
Customer D	6,708	–

4. REVENUE

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

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<i>Products transferred at a point in time:</i>				
Sales of manufactured products	4,479	134	17,907	285
Sales on trading of electronic products, accessories and raw materials	–	47,280	46,045	52,237
	<u>4,479</u>	<u>47,414</u>	<u>63,952</u>	<u>52,522</u>

5. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax:				
Provision for the period	–	–	–	–

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2022 and 2021 as the Group's Hong Kong subsidiaries did not generate any assessable profit for the six months ended 30 June 2022 and 2021.

No provision for the PRC Enterprise Income Tax is required for the six months ended 30 June 2022 and 2021 as the Group's PRC subsidiaries did not generate any assessable profit for the six months ended 30 June 2022 and 2021.

6. DIVIDEND

No dividend was declared or paid during the six months ended 30 June 2022 and 2021, respectively.

7. LOSS PER SHARE

(a) Basic loss per Share

	Three months ended 30 June		Six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Loss				
Loss for the purpose of calculating basic and diluted loss per Share (<i>HK\$'000</i>)	<u>(2,471)</u>	<u>(807)</u>	<u>(6,137)</u>	<u>(5,238)</u>
Number of Shares				
Weighted average number of ordinary Shares for the purpose of calculating basic loss per Share	<u>1,030,738,970</u>	<u>1,030,738,970</u>	<u>1,030,738,970</u>	<u>1,030,738,970</u>

(b) Diluted loss per Share

The effects of the potential ordinary Shares in respect of the outstanding share options and convertible bonds of the Company are anti-dilutive for the period ended 30 June 2022 and 2021.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group spent approximately HK\$194,000 on additions to property, plant and equipment (year ended 31 December 2021: HK\$nil).

9. TRADE RECEIVABLES

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

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
0 to 30 days	–	15,411
31 to 60 days	–	465
61 to 90 days	1,059	5,557
Over 90 days	<u>56,421</u>	<u>32,897</u>
	<u>57,480</u>	<u>54,330</u>

10. TRADE PAYABLES

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

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
0 to 30 days	–	3,441
31 to 60 days	97	2,404
61 to 90 days	5,640	2,464
Over 90 days	24,480	26,712
	<u>30,217</u>	<u>35,021</u>

11. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

Included in other payables, deposits received and accrued expenses as at 30 June 2022 are the amounts due to a director of a subsidiary of approximately HK\$2,350,000 (31 December 2021: HK\$1,661,000) and the amounts due to an associate of approximately HK\$906,000 (31 December 2021: HK\$ nil), both of which are unsecured, interest free and repayable on demand.

12. SHARE CAPITAL

	Ordinary shares	
	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised		
As at 31 December 2021 (audited), 1 January 2022	6,250,000,000	10,000
As at 30 June 2022 (unaudited)	<u>6,250,000,000</u>	<u>10,000</u>
Issued		
As at 31 December 2021 (audited), 1 January 2022	1,030,738,970	1,649
As at 30 June 2022 (unaudited)	<u>1,030,738,970</u>	<u>1,649</u>

13. CONTINGENT LIABILITIES

As at 30 June 2022 and 31 December 2021, the Group did not have any contingent liabilities.

14. CAPITAL COMMITMENTS

As at 30 June 2022 and 31 December 2021, the Group did not have any capital commitments.

15. RELATED PARTY TRANSACTIONS

Saved as disclosed, 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:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fees, salaries and allowances	470	780
Share-based payment expenses	216	—
	<u>686</u>	<u>780</u>

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2022, the Group continued to engage in the research and development, manufacture and sale of consumer electronic products and provision of application software development services. We provide one-stop services to our customers by offering design, prototyping/sampling, manufacturing, assembling and packaging of their products. 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 online publication services.

BUSINESS ENVIRONMENT AND DEVELOPMENT

During the six months ended 30 June 2022, soaring inflation, triggered by the disruptions to the supply chain due to the pandemic and the war between Ukraine and Russia, gradually became the major threat for global economic recovery. Getting inflation back under control was the primary focus by central banks in the first half of 2022. During the six months ended 30 June 2022, the Federal Reserve of the United States of America (the “FED”) raised its benchmark interest rate by 150 basis points from 0–0.25% to 1.5–1.75%. The rapid switch from expansionary monetary policy to contractionary monetary policy by leading economies would undoubtedly affect the global demands and capital flows. On the other hand, under its zero-COVID policy, the economic growth of mainland China slowed to just 0.4% in the second quarter of 2022, according to the National Bureau of Statistics of China.

Rising prices for commodities, raw materials and electronic components posed significant business challenges to us and exerted great pressure to the margin of the businesses of the Group and our associated companies. We had shifted our focus to the PRC domestic electronic consumer market in the third and fourth tier cities since the second half of 2021 and the initial results of the shift of focus had been encouraging. However, during the second quarter of 2022, our operations, especially those in mainland China, were inevitably disrupted and negatively impacted under such unfavourable macro-environment and weakened economy.

* For identification purpose only

BUSINESS REVIEW

Our revenue increased by 21.8% from HK\$52.5 million in the first half of 2021 to HK\$64.0 million in the same period of 2022, contributed by the encouraging performance in the first quarter. 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 28.0% of our overall revenue in the first half of 2022 while it accounted for just 0.5% in the same period of 2021.

The gross profit margin of the Group notably decreased from 5.3% in the first half of 2021 to 3.3% in the same period of 2022 due to the surging cost levels and disruptions. As a result, our gross profit decreased from HK\$2.8 million in the first half of 2021 to HK\$2.1 million in the first half of 2022, despite the growth in revenue.

FINANCIAL REVIEW

To mitigate the pressure on our bottom line, the Group strived to strengthen its controls on operating costs, resulting in general savings in administrative expenses. Accordingly, our total administrative expenses decreased by HK\$1.3 million from HK\$6.1 million in the first half of 2021 to HK\$4.8 million in the same period of 2022.

Staff costs represented one of the major components of the Group's administrative expenses, which mainly consisted of directors' emoluments, salaries, retirement benefit scheme contribution and other benefits. Staff costs increased by HK\$0.4 million from HK\$2.2 million in the first half of 2021 to HK\$2.6 million in the same period of 2022. The increase was mainly contributed by the grant of new share options in June 2022, resulting in additional recognition of share-based payment expenses of HK\$0.2 million. Excluding the effect of share options, the staff costs just increased slightly by HK\$0.2 million under tightened control.

Depreciation of right-of-use assets decreased by HK\$0.3 million from HK\$1.1 million in the first half of 2021 to HK\$0.8 million in the same period of 2022, mainly due to the termination of leases to preserve the resources of the Group.

Finance costs represented imputed interest on lease liabilities and convertible bonds and the costs increased from HK\$0.5 million in the first half of 2021 to HK\$1.0 million in the same period of 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. Both the top line and bottom line of the business were negatively impacted due to the pandemic and US-China trade tension. Accordingly, our share of losses of associates increased from HK\$1.4 million in the first half of 2021 to HK\$2.9 million in the same period of 2022.

Loss Attributable to Owners of the Company

The Group recorded a loss attributable to owners of the Company of HK\$6.1 million in the first half of 2022, representing an increase of HK\$0.9 million from HK\$5.2 million in the same period of 2021, mainly due to the combined effect of: (i) the drop in gross profit of HK\$0.7 million; (ii) increase in finance costs of HK\$0.5 million; (iii) increase in share of losses of associates of HK\$1.5 million; and partially offset by (iv) general savings in administrative expenses of HK\$1.3 million and (v) increase in share of losses by non-controlling interests of HK\$0.4 million.

OUTLOOK

In July 2022, the FED further raised its benchmark interest rate by 75 basis points. At the same time, the European Central Bank, joining the FED and Bank of England, raised interest rates for the first time since 2011 to tackle eurozone inflation. On the other hand, COVID restrictions and weakened property market are casting doubts on the growth of domestic demand of mainland China. Looking at the next stage, the risk of stagflation in the global economy is rising. The global economy may experience a toxic mix of slowing growth and rising inflation. We will head into the second half of 2022 with high degree of uncertainties and significant challenges. The Group will carefully and prudently take into account the external factors and be ready to adjust and adapt to the new norms. While the Group will continue to control its costs of operation and select the appropriate product mix and regions to which the Group should focus and devote its resources, it will also review the performance of its existing business portfolio and make suitable investment decisions. Subject to the review results, we do not preclude the possibility that we may dispose the whole or part of its existing business portfolio and/or change the asset allocation of its businesses.

While the Group will continue to develop and expand its businesses as and when appropriate, and to explore ways to improve its financial performance and broaden the sources of revenue, it is the Group's strategy to do so within acceptable risk level and capital requirement. The Group considers online business is less vulnerable to the existing macro-environment and we set up a wholly-owned subsidiary in Kashi, Xinjiang to explore the business of online information and online publication services. The Group may implement debt and/or equity fund raising plan(s) to satisfy the financing needs arising out of any business development of the Group as well as to improve its financial position in the event that suitable fund raising opportunities arise. In these regards, the Company will publish announcement as and when appropriate according to the requirements under the applicable listing rules.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Below is a summary of the key financial ratio:

	<i>Notes</i>	As at 30 June 2022	As at 31 December 2021
Current ratio	<i>1</i>	1.24	1.32
Quick ratio	<i>2</i>	1.18	1.26
Gearing ratio	<i>3</i>	1.38	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.

As at 30 June 2022, there were outstanding convertible bonds with the aggregate principal amount of HK\$20 million (31 December 2021: HK\$20 million). As at 30 June 2022, the Group had approximately HK\$4.6 million in bank and cash balances (31 December 2021: HK\$2.6 million).

During the six months ended 30 June 2022, there was no material change to the capital structure of the Group. The Board kept monitoring the cash level of the Group and would consider different ways of financing in order to strengthen the Group's capital base and liquidity, including but not limited to issuance of bonds, obtaining additional financial assistance from shareholders or Directors, negotiating new banking facilities and carrying out further cost controls.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Saved for those disclosed in this announcement, the Group did not have any other contingent liabilities or capital commitments as at 30 June 2022 and 31 December 2021.

CAPITAL EXPENDITURE

Save for those disclosed in this announcement, the Group did not have any significant capital expenditure during the six months ended 30 June 2022 and 2021.

CHARGES ON ASSETS

As at 30 June 2022 and 31 December 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.

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

Save for those disclosed in this announcement, there were no other significant investments held by the Group as at 30 June 2022, nor were there other material acquisitions and disposals of subsidiaries by the Group during the period.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had a total of 45 employees (as at 31 December 2021: 45 employees). The Group's staff costs for the six months ended 30 June 2022 amounted to approximately HK\$2.6 million (six months ended 30 June 2021: HK\$2.2 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 “**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 Scheme shall be valid and effective for a period of 10 years commencing from the adoption date (i.e. 20 June 2014) pursuant to its terms. The remaining life of the Scheme was up to 19 June 2024.

The total number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the Shares in issue from time to time. The maximum number of Shares which may be issued upon exercise of all share options granted under the Scheme and any other schemes must not, in aggregate, exceed 10% of the Shares in issue unless approved by the Shareholders. Share options lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating such limit. The limit may be renewed by the Shareholders in general meeting from time to time provided always that the limit so renewed must not exceed 10% of the Shares in issue as at the date of approval of such renewal by Shareholders in general meeting. Upon such renewal, all share options granted under the Scheme and any other share option schemes of the Company (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of the Scheme or any other share option schemes of the Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the limit as renewed. The total number of Shares issued and to be issued upon exercise of all share options granted to an Eligible Participant (including exercised and outstanding share options) in any 12-month (i.e. maximum entitlement) period must not exceed 1% of the Shares in issue from time to time, unless approved by the Shareholders in general meeting.

A share option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof. The acceptance amount for the share option is determined by the Board from time to time. The exercise price per share under the Scheme (the “**Exercise Price**”) shall be a price determined by the Board, but shall not be less than the highest of:

- (i) the closing price of a Share as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the relevant share option, which must be a day on which the Stock Exchange is open for the business of dealing in securities (the “**Trading Day**”);
- (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange’s daily quotations sheets for the five Trading Days immediately preceding the date of grant of the relevant share option; and
- (iii) the nominal value of a Share on the date of grant.

2019 Grant

Upon the refreshment of the limit of the Scheme by the Shareholders in general meeting on 21 June 2018, the number of Shares which may be issued upon the exercise of all share options granted or to be granted under the 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. On 4 June 2019, it was resolved by the Company to grant 68,720,000 share options with exercise price of HK\$0.2412 per Share entitling the grantees to subscribe for 68,720,000 Shares. Details are set out in the announcement of the Company dated 4 June 2019. As at 30 June 2022, 25,192,000 effective share options were outstanding.

2022 Grant

Upon the refreshment of the limit of the Scheme by the Shareholders in general meeting on 26 June 2020, the number of Shares which may be issued upon the exercise of all share options granted or to be granted under the Scheme and any other share option schemes of the Company is 103,073,897 Shares, representing 10% of the issued Shares as at 26 June 2020. On 10 June 2022, it was resolved by the Company to grant 103,072,000 share options with exercise price of HK\$0.032 per Share entitling the grantees to subscribe for 103,072,000 Shares. The closing price of the Shares immediately before the grant date was HK\$0.032 per Share. Details are set out in the announcement of the Company dated 10 June 2022. As at 30 June 2022, 103,072,000 effective share options were outstanding.

The total number of share options that may be further granted under the Scheme as at the date of this announcement is 1,897 Shares, representing 0.0002% of the issued share capital of the Company. As at the date of this announcement, the total number of share options granted and outstanding under the Scheme is 174,142,308 Shares, representing 12.44% of the issued share capital of the Company.

Pursuant to Rules 23.07 of the GEM Listing Rules, particulars and movements of share options under the Scheme during the six months ended 30 June 2022 are set out as follows:

Grantee	Date of grant of the options	On 1 January 2022	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	On 30 June 2022	Vesting period	Exercise period	Exercise price per share option (HK\$)
Director									
Mr. Zhou Chuang Qiang	10 June 2022 (A)	-	10,000,000	-	-	10,000,000	N/A	10 June 2022 – 9 June 2032	0.032
Other staff									
Employees	4 June 2019	12,596,000	-	-	-	12,596,000	4 June 2019 – 3 June 2020	4 June 2020 – 3 June 2029	0.2412
Employees	10 June 2022 (B)	-	46,536,000	-	-	46,536,000	10 June 2022 – 9 June 2023	10 June 2023 – 9 June 2032	0.032
Employees	4 June 2019	12,596,000	-	-	-	12,596,000	4 June 2019 – 3 June 2021	4 June 2021 – 3 June 2029	0.2412
Employees	10 June 2022 (C)	-	46,536,000	-	-	46,536,000	10 June 2022 – 9 June 2024	10 June 2024 – 9 June 2032	0.032
Total		<u>25,192,000</u>	<u>103,072,000</u>	<u>-</u>	<u>-</u>	<u>128,264,000</u>			

Notes:

- (1) The options granted to the director were vested immediately.
- (2) The options granted to the employees have a vesting period of 2 years, i.e. one-half of the options were vested on the first (1st) anniversary (round down to the nearest option) and the remaining one-half of the options were vested on the second (2nd) anniversary of the date of grant respectively.

The unaudited fair values of the share options granted on 10 June 2022, the measurement date, are estimated using the Binomial Model. Significant inputs into the model were as follows:

	(A)	(B)	(C)
No. of options granted	10,000,000	46,536,000	46,536,000
Estimated fair value at the measurement date	HK\$216,000	HK\$1,065,000	HK\$1,180,000
Estimated fair value of each option	HK\$0.0216	HK\$0.0229	HK\$0.0254
Exercise multiple	3.34	2.86	2.86
Expected volatility	138.06%	138.06%	138.06%
Expected life	7.37 years	7.85 years	8.66 years
Risk free rate	2.86%	2.86%	2.86%
Expected dividend yield	Nil	Nil	Nil

The risk-free rate is the yield of Hong Kong government bonds with maturity matching the contractual option life of the share options obtained from Bloomberg as at the measurement date. The dividend yield is calculated based on the historical data of the Company. The historical volatility of the Company is adopted as the expected volatility.

The variables and assumptions may be subjective and subject to limitations and uncertainties. Changes in estimates and inputs can materially affect the valuation. Details of the accounting policy for equity-settled share-based payments are set out in the 2021 Consolidated Financial Statements.

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 2022, 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.2 of the CG Code stipulates the role of the chairman of the Board. As disclosed in the corporate governance report contained in the 2021 annual report, the Company does not have the chairman of the Board. 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 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. 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.

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

As at 30 June 2022, the interests and short position of the Directors and the Company’s chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions

Ordinary Shares

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

Notes:

1. The letter “L” denotes a long position in the shareholder’s interest in the share capital of the Company.
2. These represented the interests in underlying shares in respect of share options granted by the Company, details of which are disclosed in the section “Share Option Scheme”.

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

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

As at 30 June 2022, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions

Ordinary Shares

Name	Capacity and nature of interest	Class of Shares	Number of Shares (note 1)	Percentage of the Company's issued share capital
Martford Limited (note 2)	Beneficial owner	Ordinary Shares	316,981,250 (L)	30.75%
Wu Xiongbin (note 3)	Beneficial owner	Ordinary Shares	174,469,166 (L)	16.93%
Lucky Most Investments Limited (note 4)	Beneficial owner	Ordinary Shares	102,992,000 (L)	9.99%
Pu Wei	Beneficial owner	Ordinary Shares	88,008,000 (L)	8.54%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.
2. The 316,981,250 Shares were held by Martford Limited which is wholly and beneficially owned by Mr. Wang Lianghai.

3. On 17 June 2021, Mr. Wu Xiongbin subscribed convertible bonds in an aggregate principal amount of HK\$20 million which can be convertible into 166,666,666 conversion Shares at initial conversion price of HK\$0.12 per conversion Share.
4. The 102,992,000 Shares were held by Lucky Most Investments Limited which is wholly and beneficially owned by Mr. Lu Yajing.

Save as disclosed above and so far as is known to the Directors, as at 30 June 2022, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors of the Company on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”). Having made specific enquiries in writing to the Directors, each of the Directors confirmed that he/she had complied with the Model Code in connection with the Company’s securities for the six months ended 30 June 2022.

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 six months ended 30 June 2022.

UPDATE ON INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Directors since the date of the Company’s 2021 annual report are set out below:

1. in view of the challenging business environment under the pandemic, the director fee of each of Mr. Zheng Wan Zhang (an independent non-executive director of the Company) and Mr. Wong Tik Tung (an independent non-executive director of the Company) was adjusted to HK\$120,000 per annum with effect from 1 June 2022.
2. Mr. Zhou Chuang Qiang (an executive director of the Company) was appointed as an executive director and an authorized representative of China Clean Energy Technology Group Limited (stock code: 2379), a company listed on the Main Board of the Stock Exchange, with effect from 13 June 2022.

3. Mr. Man Wai Lun (an independent non-executive director of the Company) was appointed as an executive director of China Clean Energy Technology Group Limited (stock code: 2379), a company listed on the Main Board of the Stock Exchange, with effect from 13 June 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

AUDIT COMMITTEE

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

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2022 has been reviewed by the audit committee. The audit committee is of the opinion that such financial information complies with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosure have been made.

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

Hong Kong, 12 August 2022

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

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