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MILLENNIUM PACIFIC GROUP HOLDINGS LIMITED

匯思太平洋集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8147)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

The board of Directors (the "Board") of Millennium Pacific Group Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and nine months ended 30 September 2022, together with the comparative figures for the corresponding periods in 2021, as follows:

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

For the three months and nine months ended 30 September 2022

		Three months ended 30 September		Nine months ended 30 September		
		2022	2021	2022	2021	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	Notes	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Revenue Cost of sales	3	1,607 (881)	6,071 (6,497)	65,559 (62,721)	58,593 (56,240)	
Gross profit/(loss)		726	(426)	2,838	2,353	
Other income		1	9	3	28	
Administrative expenses		(2,906)	(3,035)	(7,677)	(9,112)	
Loss from operation		(2,179)	(3,452)	(4,836)	(6,731)	
Finance costs		(509)	(444)	(1,510)	(993)	
Share of results of associates, net		(2,434)	(342)	(5,299)	(1,787)	
Loss before tax		(5,122)	(4,238)	(11,645)	(9,511)	
Income tax expense	4					
Loss for the period		(5,122)	(4,238)	(11,645)	(9,511)	
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		(120)	(103)	(42)	(73)	
Share of other comprehensive (loss)/income of associates		(930)	(70)	(1,831)	391	
Other comprehensive (loss)/ income for the period		(1,050)	(173)	(1,873)	318	
Total comprehensive loss for the period		(6,172)	(4,411)	(13,518)	(9,193)	
h						

		Three months ended		Nine months ended		
		30 September		30 Sept	tember	
		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 		(4,454)	(3,912)	(10,591)	(9,150)	
— Non-controlling interests		(668)	(326)	(1,054)	(361)	
		(5,122)	(4,238)	(11,645)	(9,511)	
Total comprehensive loss attributable to:						
— Owners of the Company		(5,489)	(3,995)	(12,401)	(8,762)	
 Non-controlling interests 		(683)	(416)	(1,117)	(431)	
		(6,172)	(4,411)	(13,518)	(9,193)	
Loss per Share (cents)						
— Basic	6	(0.43)	(0.38)	(1.03)	(0.89)	
— Diluted	6	(0.43)	(0.38)	(1.03)	(0.89)	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2022

1,649

110,537

2,112

(177)

2,212

(107,251)

7,433

1,458

10,540

(unaudited)

	Attributable to the owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Option reserve HK\$'000	Foreign currency translation reserve HK\$'000	Equity component of convertible bonds HK\$'000	Accumulated losses HK\$'000	Total reserve HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2021									
(audited) Reclassify of equity component of convertible bonds upon	1,649	110,537	2,660	884	2,650	(78,054)	38,677	1,989	42,315
maturity (unaudited) Issue of convertible bonds	-	-	-	-	(2,650)	2,650	-	-	-
(unaudited)	-	-	_	-	2,147	-	2,147	_	2,147
Transfer of share option reserve upon lapse of share options (unaudited)	_	_	(847)	_	_	847	_	_	
Recognition of share-based			, ,			047			
payments (unaudited) Formation of a subsidiary	-	-	68	-	-	-	68	-	68
(unaudited)	-	-	-	-	-	-	-	980	980
Total comprehensive loss for the period (unaudited)				388		(9,150)	(8,762)	(431)	(9,193)
Balance at 30 September 2021									
(unaudited)	1,649	110,537	1,881	1,272	2,147	(83,707)	32,130	2,538	36,317
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) Total comprehensive loss	-	-	722	-	-	-	722	-	722
for the period (unaudited)				(1,810)		(10,591)	(12,401)	(1,117)	(13,518)
Balance at 30 September 2022	4.640	440 505	244	(4==)		(40= 0=4)	= 422	4.450	40.540

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempt company with limited liability under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 10 September 2013. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is located at 4/F., Building C, 101 Kongwei Guangchang, No. 52, Gongye Nang Road, Xinhe Community, Fuhai Street, Baoan District, Shenzhen, Guangdong Province, the People's Republic of China (the "PRC"). The principal place of business in Hong Kong is located at Unit 5, 4/F., Energy Plaza, No. 92 Granville Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The shares of the Company (the "Shares") are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18 July 2014.

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

2. BASIS OF PRESENTATION AND PREPARATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Group for the three months and nine months ended 30 September 2022 have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

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

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

The unaudited condensed consolidated results of the Group for the nine months ended 30 September 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 nine months ended 30 September 2022.

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

3. REVENUE

An analysis of the Group's revenue for the period is as follows:

	Three months ended 30 September		Nine months ended 30 September		
	2022	2021	2022	2021	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Sales of manufactured products Sales on trading of electronic products, accessories and	-	_	17,907	285	
raw materials	1,364	6,071	47,409	58,308	
Provision of online information and digital marketing services	243		243		
	1,607	6,071	65,559	58,593	

4. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September		
	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 nine months ended 30 September 2022 and 2021 as the Group's Hong Kong subsidiaries did not generate any assessable profit for the nine months ended 30 September 2022 and 2021.

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

5. DIVIDENDS

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

6. LOSS PER SHARE

(a) Basic loss per Share

	Three months ended 30 September		Nine months ended 30 September	
	2022	2021	2022	2021
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss				
Loss for the purpose of calculating				
basic and diluted loss per Share				
(HK\$'000)	(4,454)	(3,912)	(10,591)	(9,150)
Number of Shares				
Weighted average number of				
ordinary Shares for the purpose				
of calculating basic loss per				
Share	1,030,738,970	1,030,738,970	1,030,738,970	1,030,738,970

(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 September 2022 and 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first three quarters of 2022, the Group continued to engage in the research and development, manufacture and sale of consumer electronic products. In response to growing online activities stimulated by the pandemic, we set up a wholly-owned subsidiary in Kashi, Xinjiang, known as 喀什時代九方信息科技有限公司 (Kashgar Shidai Jiufang Information Technology Company Limited*) to explore the business of online information and digital marketing services. We provide one-stop services to our customers by offering design, prototyping/sampling, manufacturing, assembling, packaging and marketing of their products.

BUSINESS ENVIRONMENT AND DEVELOPMENT

During the nine months ended 30 September 2022, maintenance of strict COVID-contained measures by the Chinese government disrupted its economic activities and the global supply chain. We also witnessed intensified geopolitical tensions and rising fragmentation. In Europe, the protracted war between Russia and Ukraine continued to reduce the supplies of commodities and agricultural products. Sanctions against Russia and interruptions on energy supplies weakened economic recovery momentum and further accelerated inflation. Military exercises around Taiwan slowed the flow of cargo vessels to and from the key waterway, creating logistical headaches for electronic components. Not only the Biden administration substantially maintained Trump-era tariffs on Chinese imports but also introduced a number of new export limits, sanctions, investments and technology bans on area such as those related to semiconductor chips. At the same time, in view of the soaring inflation, the Federal Reserve of the United States of America (the "FED") significantly raised its benchmark interest rate by 300 basis points from 0–0.25% to 3–3.25% in the first three quarters of 2022. This would undoubtedly affect capital flows and global demands.

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

^{*} For identification purpose only

BUSINESS REVIEW

Our revenue increased by 11.9% from HK\$58.6 million in the first three quarters of 2021 to HK\$65.6 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 27.3% of our overall revenue in the first three quarters of 2022 while it accounted for just 0.5% in the same period of 2021. However, given the negative impact on industries relating to semiconductors, electronic components and products under the aforesaid macro-environment, our revenue growth momentum was weakened since the second quarter of the year. To cope with the unfavourable environment and diversify our sources of revenue, we explored the business of online information and digital marketing services and initially recorded revenue in the third quarter of 2022.

Excluding the business of online information and digital marketing services, the gross profit margin of the Group was 4.0% in the first three quarters of 2022, remained at a similar level to that of 2021.

FINANCIAL REVIEW

Staff costs represented one of the major components of the Group's administrative expenses, which mainly consisted of directors' emoluments, salaries, retirement benefit scheme contribution and other benefits. Staff costs increased by HK\$1.0 million from HK\$3.4 million in the first three quarters of 2021 to HK\$4.4 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\$0.7 million. Excluding the effect of share options, the staff costs just increased slightly by HK\$0.3 million under tightened control.

Depreciation of right-of-use assets, included in the Group's administrative expenses, increased by HK\$0.2 million from HK\$1.5 million in the first three quarters of 2021 to HK\$1.7 million in the same period of 2022, mainly due to the development of businesses.

To mitigate the pressure on our bottom line by the rising price levels, the Group strived to strengthen its controls on operating costs, resulting in general savings in administrative expenses. Accordingly, despite the increases in staff costs and depreciation of right-of-use assets, our total administrative expenses decreased by HK\$1.4 million from HK\$9.1 million in the first three quarters of 2021 to HK\$7.7 million in the same period of 2022.

Finance costs represented imputed interest on lease liabilities and convertible bonds and the costs increased from HK\$1.0 million in the first three quarters of 2021 to HK\$1.5 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. Its operation was more vulnerable to the prevailing environment mentioned above and accordingly, our share of losses of associates notably increased from HK\$1.8 million in the first three quarters of 2021 to HK\$5.3 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\$10.6 million in the first three quarters of 2022, representing an increase of HK\$1.4 million from HK\$9.2 million in the same period of 2021, mainly due to the increase in share of losses of associates of HK\$3.5 million, partially offset by the net general savings in administrative expenses of HK\$1.4 million and increase in share of losses by non-controlling interests of HK\$0.7 million.

OUTLOOK

Geopolitical conflicts and US-China economic decoupling set to increase business risks and uncertainties. In November 2022, the FED raised again its benchmark interest rate by 75 basis points. Yet, inflationary pressures on major economies showed no signs of easing despite their central banks' aggressive contractionary monetary policy, which may be maintained even at the expense of economic growth. There are also no signs of relaxation of COVID restrictions in mainland China. The Group will head into the last quarter of 2022 with increasing challenges. We maintain a cautious stance and make tactical adjustments where appropriate to cope with the strong headwinds ahead. The Group will also carefully and prudently take into account the external factors and adapt to the new norms. We will be ready to capture new opportunities and adjust our priorities and resources. While the Group will continue to control its costs and 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.

Being one-stop service provider to our customers, our aim is to respond to changing customer needs by providing enhanced business solutions through value-added services. The 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 our strategy to do so within acceptable risk level and capital requirement. The Group may implement debt and/or equity fund raising plan(s) to satisfy the financing needs arising out of any business development of the Group as well as to improve its financial position in the event that suitable fund raising opportunities arise. In these regards, the Company will publish announcement as and when appropriate according to the requirements under the applicable listing rules.

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

As at 30 September 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.

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 September 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%
Pu Wei	Beneficial owner	Ordinary Shares	88,008,000 (L)	8.54%

Notes:

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

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

COMPETING INTERESTS

The Directors confirm that none of the controlling shareholders or Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the business of the Group during the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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, 11 November 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).