

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents 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)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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

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

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

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

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board of Directors (the “**Board**”) of the Company is pleased to announce the following consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023 together with the comparative figures for the preceding year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	7	61,456	65,654
Cost of sales		<u>(57,681)</u>	<u>(62,400)</u>
Gross profit		3,775	3,254
Other income	8	1,852	1,452
Administrative expenses		(7,630)	(14,698)
Other operating losses		–	(250)
Impairment losses for trade receivables		–	(49)
Reversal of impairment losses for other receivables		142	130
Impairment losses for right-of-use assets		<u>–</u>	<u>(2,080)</u>
Loss from operation		(1,861)	(12,241)
Finance costs		(1,975)	(2,026)
Share of results of associates		(13,691)	(7,248)
Share of results of a joint venture		<u>–</u>	<u>–</u>
Loss before tax	9	(17,527)	(21,515)
Income tax	10	<u>–</u>	<u>–</u>
Loss for the year		<u>(17,527)</u>	<u>(21,515)</u>

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(1,570)	(315)
Share of other comprehensive loss of associates		<u>(215)</u>	<u>(1,563)</u>
Other comprehensive loss for the year, net of tax		<u>(1,785)</u>	<u>(1,878)</u>
Total comprehensive loss for the year		<u>(19,312)</u>	<u>(23,393)</u>
Loss for the year attributable to:			
— the owners of the Company		(17,334)	(18,377)
— non-controlling interests		<u>(193)</u>	<u>(3,138)</u>
		<u>(17,527)</u>	<u>(21,515)</u>
Total comprehensive loss for the year attributable to:			
— the owners of the Company		(17,321)	(20,170)
— non-controlling interests		<u>(1,991)</u>	<u>(3,223)</u>
		<u>(19,312)</u>	<u>(23,393)</u>
			(Restated)
Loss per share (cents)			
— Basic	12	<u>(16.82)</u>	<u>(17.83)</u>
— Diluted	12	<u>(16.82)</u>	<u>(17.83)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		6	56
Right-of-use assets		–	–
Interests in associates		–	13,906
Investment in a joint venture		–	–
Goodwill		74	–
		<hr/>	<hr/>
		80	13,962
Current assets			
Inventories		705	–
Trade receivables	<i>13</i>	29,629	21,841
Other receivables, prepayments and deposits		4,112	1,263
Bank and cash balances		1,864	1,655
		<hr/>	<hr/>
		36,310	24,759
Current liabilities			
Trade payables	<i>14</i>	15,630	551
Other payables, deposits received and accrued expenses		18,454	13,532
Amount due to an associate		906	906
Other borrowings		6,901	–
Convertible bonds		–	20,577
Lease liabilities		544	1,515
		<hr/>	<hr/>
		42,435	37,081
Net current liabilities		<hr/> (6,125)	<hr/> (12,322)
Total assets less current liabilities		<hr/> (6,045)	<hr/> 1,640

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current liabilities			
Convertible bonds		7,856	–
Lease liabilities		<u>–</u>	<u>561</u>
		<u>7,856</u>	<u>561</u>
(NET LIABILITIES)/NET ASSETS		<u>(13,901)</u>	<u>1,079</u>
 Capital and reserves			
Share capital		1,649	1,649
Reserves		<u>(14,052)</u>	<u>(34)</u>
		<u>(12,403)</u>	1,615
Non-controlling interests		<u>(1,498)</u>	<u>(536)</u>
(CAPITAL DEFICIENCY)/TOTAL EQUITY		<u>(13,901)</u>	<u>1,079</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

Attributable to the owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Option reserve HK\$'000	Statutory reserve HK\$'000	Equity component of convertible bonds HK\$'000	Accumulated losses HK\$'000	Total reserve HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2022	1,649	110,537	1,633	1,390	–	2,212	(96,660)	19,112	2,575	23,336
Recognition of share-based payments	–	–	–	1,136	–	–	–	1,136	–	1,136
Acquisition of non-controlling interests	–	–	–	–	–	–	(112)	(112)	112	–
Total comprehensive loss for the year	–	–	(1,793)	–	–	–	(18,377)	(20,170)	(3,223)	(23,393)
Changes in equity for the year	–	–	(1,793)	1,136	–	–	(18,489)	(19,146)	(3,111)	(22,257)
As 31 December 2022 and 1 January 2023	1,649	110,537	(160)	2,526	–	2,212	(115,149)	(34)	(536)	1,079
Lapse of convertible bonds	–	–	–	–	–	(2,212)	2,212	–	–	–
Issue of convertible bonds	–	–	–	–	–	2,240	–	2,240	–	2,240
Recognition of share-based payments	–	–	–	1,063	–	–	–	1,063	–	1,063
Transfer of share option reserve upon lapse of share options	–	–	–	(216)	–	–	216	–	–	–
Non-controlling interest on acquisition of a subsidiary	–	–	–	–	–	–	–	–	1,029	1,029
Transfer to statutory reserves	–	–	–	–	166	–	(166)	–	–	–
Total comprehensive loss for the year	–	–	13	–	–	–	(17,334)	(17,321)	(1,991)	(19,312)
Changes in equity for the year	–	–	13	847	166	28	(15,072)	(14,018)	(962)	(14,980)
As at 31 December 2023	1,649	110,537	(147)	3,373	166	2,240	(130,221)	(14,052)	(1,498)	(13,901)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

Millennium Pacific Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempt company with limited liability under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 10 September 2013. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is located at A709-A22, 7/F., Block A, Jiangsu Building, 6013 Yitian Road, Fuxin Community, Lianhua Street, Futian District, Shenzhen, Guangdong Province, the People’s Republic of China (the “**PRC**”). The principal place of business in Hong Kong is located at Unit 5, 4/F., Energy Plaza, No. 92 Granville Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The Company’s shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 18 July 2014.

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

2. GOING CONCERN

The Group incurred a loss attributable to owners of the Company of approximately HK\$17,334,000 during the year ended 31 December 2023 and the Group’s current liabilities exceeded its current assets by HK\$6,125,000 and the total liabilities exceeded its total assets by HK\$13,901,000 as at 31 December 2023. In view of these circumstances, the Directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group.

The validity of the Group to operate as a going concern is dependent upon the outcomes of the Group to (i) attain profitable and positive cash flows from operations by exploiting business development and implementing effective cost control measures; and (ii) a shareholder of the Company has agreed to provide interest-free and unsecured financial support to the extent of HK\$12,000,000 to the Group for the next twelve months to meet its financial obligations as they fall due. Up to the date of this results announcement, the shareholder has deposited HK\$5,000,000 to the bank account of a subsidiary of the Company.

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

3. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which in collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are discussed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

4. ADOPTION OF NEW AND REVISED HKFRSS

(a) New and amended standards adoption by the Group

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

Amendments to HKSA 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform—Pillar Two Model Rules
HKFRS 17	Insurance Contracts

Except as described below, the application of the new and amendments to HKFRSs in the current year had no material impact on the Group’s financial position and performance for the current and prior year and/or the disclosures set out in the consolidated financial statements.

(b) Change in accounting policy

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) – Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “**Abolition**”). The Abolition will officially take effect on 1 May 2025 (the “**Transition Date**”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

(c) Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

The Group has adopted Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies” for the first time in the current year. HKAS 1 “Presentation of Financial Statements” is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 “Making Materiality Judgements” (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 4 to the consolidated financial statements.

(d) New standards, amendments to standards and interpretations not yet effective

The Group has not applied any amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2023. The amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1 – Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 16–Lease Liability in a sales and leaseback	1 January 2024
Hong Kong Interpretation 5 (revised) presentation of financial statements-classification by borrower of a term loan that contains a repayment on demand clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7 – Supplier finance arrangements	1 January 2024
Amendments to HKAS 21–Lack of Exchangeability	1 January 2024
Amendments to HKFRS 10 and HKAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	To be determined by the HKICPA

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. The directors of the Company hence concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

5. MATERIAL ACCOUNTING POLICY INFORMATION

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

6. SEGMENT INFORMATION

Operating segment information

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

Geographical information

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
PRC	<u>6</u>	<u>56</u>

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	60,662	18,245
PRC	<u>794</u>	<u>47,409</u>
	<u>61,456</u>	<u>65,654</u>

Information about major customers

The Group's customer base included two (2022: three) customers with whom transactions have exceeded 10% of its revenue during the year is set out as below:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	40,799	—
Customer B	12,980	—
Customer C (<i>note (i)</i>)	—	20,343
Customer D (<i>note (i)</i>)	—	15,992
Customer E (<i>note (i)</i>)	—	6,708
	<u>—</u>	<u>—</u>

- (i) These customers did not contribute over 10% of the total turnover of the Group for the year ended 31 December 2023.

7. REVENUE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
<i>Products and services transferred at a point in time:</i>		
Provision of online information and digital marketing services	794	338
Sales of manufactured products	53,779	17,907
Sales on trading of electronic products, accessories and raw materials	6,883	47,409
	<u>61,456</u>	<u>65,654</u>

8. OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest income	3	3
Sales of scrap	–	1,448
Gain on disposal of a joint venture	5	–
Gain on dividend forfeited by non-controlling interests (“NCI”)	1,821	–
Others	23	1
	<u>1,852</u>	<u>1,452</u>

9. LOSS BEFORE TAX

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

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
Depreciation			
– Owned assets	<i>(a)</i>	54	254
– Right-of-use assets	<i>(b)</i>	–	2,086
Staff costs (including directors' emoluments)			
– Salaries, bonus and allowances		3,773	4,392
– Share-based payments		1,063	1,136
– Retirement benefits scheme contributions		176	270
		5,012	5,798
Cost of inventories sold		57,646	62,400
Foreign exchange loss, net		1	38
Short-term lease charges on premises		367	166
Auditors' remuneration		570	570
Impairment losses for right-of-use assets		–	2,080
Impairment losses for trade receivables		–	49
Reversal of impairment losses for other receivables		(142)	(130)
Written off of inventories		–	3,750
Gain on disposal of a joint venture		(5)	–
Gain on dividend forfeited by NCI		(1,821)	–
		—————	—————

Notes:

- (a) Depreciation of property, plant and equipment of approximately HK\$Nil (2022: HK\$78,000) for the year ended 31 December 2023 is included in cost of sales.
- (b) Depreciation of right-of-use assets of approximately HK\$Nil (2022: HK\$510,000) for the year ended 31 December 2023 is included in cost of sales.

10. INCOME TAX

Under the two-tiered profits tax regime, one of the Company's Hong Kong subsidiaries is subjected to Hong Kong Profits Tax at the rate of 8.25% for the first HK\$2 million of its estimated assessable profits and at 16.5% on its estimated assessable profits above HK\$2 million. Other Hong Kong subsidiaries not qualifying for the two-tiered profit tax Regime are subjected to Hong Kong Profits Tax at the rate of 16.5% for the years ended 31 December 2023 and 2022.

No provision for Hong Kong Profits Tax is required since the Hong Kong subsidiaries have sufficient tax losses brought forward to set off against current year's assessable profits.

The tax rate applicable to the Group's PRC subsidiaries were 25% (2022: 25%) during the year.

No provision for PRC EIT is required since the PRC subsidiaries has no assessable profit for the year for the years ended 31 December 2023 and 2022.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss before tax	<u>(17,527)</u>	<u>(21,515)</u>
Tax at the domestic tax rate of 16.5% (2022: 16.5%)	(2,892)	(3,550)
Tax effect of income that is not taxable	(326)	(1)
Tax effect of share of results of associates	2,259	1,196
Tax effect of expenses that are not deductible	904	1,242
Tax effect of tax losses not recognised	339	1,803
Tax effect of utilisation of tax losses not previously recognised	(194)	–
Effect of different tax rates of subsidiaries operating in other jurisdiction	<u>(90)</u>	<u>(690)</u>
Income tax expense for the year	<u>–</u>	<u>–</u>

11. DIVIDEND

No dividend had been paid or declared by the Company during the year (2022: Nil).

12. LOSS PER SHARE

(a) Basic loss per share

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss		
Loss for the purpose of calculating basic and diluted loss per share	<u>(17,334)</u>	<u>(18,377)</u>
		(Restated)
Number of shares	<u>103,073,897</u>	<u>103,073,897</u>

(b) Diluted loss per share

The effects of the Company's potential ordinary shares in respect of the outstanding share options and convertible bonds are anti-dilutive for the years ended 31 December 2023 and 2022.

For the purpose of calculation of basic and diluted loss per share for the years ended 31 December 2023 and 2022, the share consolidation (every ten issued and unissued shares of the Company consolidated into one consolidated share) being effective on 30 June 2023 was deemed to be effective throughout the period from 1 January 2022 to 31 December 2023. Accordingly, the weighted average number of ordinary shares of the Company in issue during the year ended 31 December 2022 was adjusted to reflect the effect of the share consolidation.

13. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	30,563	22,775
Less: Impairment loss	<u>(934)</u>	<u>(934)</u>
	<u>29,629</u>	<u>21,841</u>

The Group's trading terms with its major customers is either on credit or to provide the Group with irrecoverable letters of credit issued by reputable banks, with terms within 60 to 90 days (2022: 60 to 90 days). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	4,195	–
31–60 days	596	–
61–90 days	–	–
Over 90 days	<u>24,838</u>	<u>21,841</u>
	<u>29,629</u>	<u>21,841</u>

As of 31 December 2023, trade receivables of approximately HK\$25,434,000 (2022: HK\$21,841,000) were past due. These trade receivables related to customers for whom there was no recent history of default. The ageing analysis of these trade receivables, based on due date, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	596	–
31–60 days	–	772
Over 60 days	<u>24,838</u>	<u>21,069</u>
	<u>25,434</u>	<u>21,841</u>

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

The Group applied simplified approach to provide the ECL as prescribed by HKFRS 9.

The directors of the Company are of the opinion that there is no significant increase of credit risk regarding the outstanding balances of trade receivables overdue for over 60 days as at 31 December 2023 and 2022, after carefully considered (i) the payment patterns and credit history of these customers; and (ii) the amounts recovered subsequent to the end of the reporting periods.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
HK\$	–	11,943
US\$	<u>29,629</u>	<u>9,898</u>
	<u>29,629</u>	<u>21,841</u>

14. TRADE PAYABLES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	4,625	–
31–60 days	3,447	–
61–90 days	4,532	–
Over 90 days	3,026	551
	<u>15,630</u>	<u>551</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
RMB	1,250	551
US\$	14,380	–
	<u>15,630</u>	<u>551</u>

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2023, the Group continued to engage in the research and development, manufacture and sale of consumer electronic products, provides one-stop services to our customers by offering design, prototyping/sampling, manufacturing, assembling, packaging and marketing of their products.

The Group has been actively conducting and developing the business of consumer products and exploring various opportunities for investment projects to broaden the scope of investment according to the market conditions to enhance the value of its shareholders. In the last quarter of 2023, the Group acquired 70% shares of the Guoke Teweï (Beijing) Biotechnology Co., Ltd* (國科特微(北京)生物科
技有限公司), a company specialized in the sale and distribution of specialized milk products and healthy food items developed and manufactured in its self-owned brands, represents a valuable opportunity to extend the business footprints into different industries which enables the Group to increase and diversify its revenue stream and broaden its business networks.

BUSINESS ENVIRONMENT AND DEVELOPMENT

2023 was another challenging year, with escalated geopolitical rivalries and rising fragmentation. The protracted war between Russia and Ukraine seems unable to stop within a short period, the sanctions against Russia and the retaliation interrupted the supplies of energy, commodities and agricultural products, accelerating the soaring inflation further. In 2023, tensions between China and the US are getting more intensified, on top of the existing trade war which responded by retaliation, various new export limits, sanctions, investments and technology bans on areas such as those related to semiconductor chips were introduced by the US government against China during the past few years. On the other hand, keeping inflation under control was still the primary focus of the US Federal Reserve, which resulted in the interest rate maintaining a high level. This would undoubtedly affect capital flows, investments and global demands.

The manufacturing and trading businesses of the Group and its associated companies and their operations were inevitably disrupted and negatively hit under such multiple headwinds and tough macro-environment. The Group has been vigilant in monitoring and managing its operations in light of the challenges. We made tactical adjustments and considered that PRC healthy food consumer market is less vulnerable to the prevailing environment. Accordingly, we explored the business of specialized milk products and healthy food items developed and manufacturing in self-owned brands by acquiring the majority shares of Guoke.

BUSINESS REVIEW

In 2023, 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 87.5% of our overall revenue in 2023 while it accounted for 27.3% in 2022. However, given the negative impact on industries relating to semiconductors, electronic components and products under the abovementioned macro-environment, particularly in China, our revenue growth momentum is still weak during the year. The total revenue of the Group decreased by 6.4% from HK\$65.7 million in 2022 to HK\$61.5 million in 2023. Overall gross profit margin was slightly increased to approximately 6% as compared to 5% in 2022, our gross profit slightly increased by HK\$0.5 million from HK\$3.3 million in 2022 to HK\$3.8 million in 2023.

To cope with the unfavourable environment and to diversify our sources of revenue, we explored the business of specialized milk products and healthy food items development and manufacturing in self-owned brands during the last quarter of 2023, and are expecting to record revenue in 2024.

FINANCIAL REVIEW

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total operation-related expenses		
Administrative expenses		
– Staff costs	5,012	5,798
– Depreciation of right-of-use assets [#]	–	1,576
– Written off/provision for allowance of inventories	–	3,750
– Others	2,618	3,574
Impairment losses for right-of-use assets	–	2,080
Impairment losses for trade receivables	–	49
Reversal of impairment losses for other receivables	(142)	(130)
Other operating losses	–	250
	<u>7,488</u>	<u>16,947</u>

[#] Excluding depreciation of right-of-use assets included in the cost of sales

Staff costs represented one of the major components of the Group's administrative expenses, which mainly consisted of directors' emoluments, salaries, retirement benefit scheme contributions, share-based expenses and other benefits. Staff costs decreased by HK\$0.8 million from HK\$5.8 million in 2022 to HK\$5.0 million in 2023. The decrease was mainly due to tightened control and downsized in operation scale.

Depreciation of right-of-use assets decreased by HK\$1.6 million from HK\$1.6 million in 2022 to HK\$Nil in 2023, mainly due to full impairment losses for right-of-use assets was recognised in 2022. Accordingly, no impairment losses were provided in 2023 for the factory under right-of-use assets as compare to HK\$2.1 million in 2022.

The total operation-related expenses decreased by HK\$9.4 million from HK\$16.9 million in 2022 to HK\$7.5 million in 2023, mainly due to (i) the aforesaid decrease in staff costs; (ii) no impairment losses of right-of-use assets; (iii) decrease in written-off/provision for allowance of inventories; and (iv) general savings in administrative and operating expenses resulting from tightened cost control and downsize in operation to preserve our resources under the tough and uncertain environment;

Finance costs represented imputed interest on lease liabilities and convertible bonds and interest on other payables. Total finance cost remains the same level as in 2022.

Operation of Associates

Our associate, Celestial Rainbow Group, which has been equity accounted for, is mainly engaged in manufacturing and trading of electronic products, such as fitness bracelets, targeting overseas markets. Its operation was vulnerable to the prevailing environment and operation disruptions mentioned above. Accordingly, the associate continued to contribute negatively to our bottom line. We recorded a total of HK\$7.2 million of share of loss of the associate and its goodwill impairment in 2022 whereas we shared HK\$13.7 million of its loss in 2023.

Loss Attributable to Owners of the Company

The Group recorded a loss attributable to owners of the Company of HK\$17.3 million in 2023, representing a decrease of HK\$1.1 million from HK\$18.4 million in 2022, mainly due to the aforementioned decrease in total operation-related expenses, the increase in the aggregate of share of loss of the associate.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Below is a summary of the key financial ratio:

		As at 31 December	
	<i>Notes</i>	2023	2022
Current ratio	<i>1</i>	0.86	0.67
Quick ratio	<i>2</i>	0.84	0.67
Gearing ratio	<i>3</i>	1.10	20.99

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 other borrowings, 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 to Mr. Wu Xiongbín, under the general mandate granted to the Directors. Assuming full conversion at the conversion price of HK\$0.12, the convertible bonds will be convertible into 166,666,667 conversion Shares ("**2021 CB**").

The 2021 CB was matured in July 2023. The Company redeemed HK\$15 million in principal and reached an agreement with the holder of the 2021 CB that the remaining principal shall continue to bear an interest rate of 4% per annum until repayment.

On 14 June 2023, convertible bonds in an aggregate principal amount of HK\$6,500,000 with 4% interest per annum and a two-year lifespan were issued to Viva Gain Investments Limited, under the general mandate granted to the Directors, assuming full conversion at the conversion price of HK\$0.032, the convertible bonds will be convertible into 203,125,000 conversion Shares ("**2023 CB I**").

An ordinary resolution was passed in the annual general meeting held on 28 June 2023 to approve the share consolidation on the basis that every ten issued and unissued shares of HK0.0016 each in the share capital of the Company be consolidated into one consolidated share of HK\$0.016 each. Please refer to the Company's announcement dated 23 May 2023, 6 June 2023, 28 June 2023 and circular dated 6 June 2023 for details.

As a result of the share consolidation effective on 30 June 2023, the conversion prices of the 2021 CB and the 2023 CB I have been adjusted to HK\$1.2 and HK\$0.32 respectively. The 2021 CB and the 2023 CB I will be convertible into 16,666,666 conversion shares and 20,312,500 conversion shares respectively.

On 14 September 2023, convertible bonds in an aggregate principal amount of HK\$3,000,000 with 4% interest per annum and a two-year lifespan were issued to Mr. Wei Haiquan, under the general mandate granted to the Directors. Assuming full conversion at the conversion price of HK\$0.15, the convertible bonds will be convertible into 20,000,000 conversion shares.

The Group kept monitoring its cash level, debt level and maturity. It would consider different ways of financing in order to strengthen the Group's capital base and liquidity, including but not limited to negotiating with the existing bondholders, issuance of new bonds, obtaining additional financial assistance from shareholders or Directors, seeking new banking facilities and carrying out further cost controls. In these regards, the Company will publish announcements as and when appropriate according to the requirements under the applicable listing rules.

As at 31 December 2023, there were outstanding convertible bonds with the aggregate principal amount of HK\$9.5 million (31 December 2022: HK\$20 million). As at 31 December 2023, the Group had approximately HK\$1.9 million in bank and cash balances (31 December 2022: HK\$1.7 million).

As a result of the share consolidation, the exercise price of the share options granted on 10 June 2022 is adjusted from HK\$0.032 per existing share to HK\$0.32 per consolidated share, and the aggregate number of shares to be issued upon exercise of the outstanding share options granted on 10 June 2022 was adjusted from 103,072,000 existing share to 10,307,200 consolidated shares. The exercise price of the share options granted on 4 June 2019 is adjusted from HK\$0.2412 per existing share to HK\$2.412 per consolidated share, and the aggregate number of shares to be issued upon exercise of the outstanding share options granted on 4 June 2019 was adjusted from 25,192,000 existing shares to 2,519,200 consolidated shares.

CAPITAL COMMITMENTS

Saved for those disclosed in this announcement, the Group did not have any other significant capital commitments as at 31 December 2023 and 2022.

CAPITAL EXPENDITURE

Saved for those disclosed in this announcement, the Group did not have any other significant capital expenditure for the year ended 31 December 2023 and 2022.

CHARGES ON ASSETS

As at 31 December 2023 and 2022, the Group did not have any charges on its assets.

FOREIGN EXCHANGE EXPOSURE

The Group's reporting currency is Hong Kong dollars and the functional currencies of the Group's entities are principally denominated in Hong Kong dollars and Renminbi. A portion of the Group's transactions are denominated and settled in United States dollars, which has very limited exchange fluctuation with Hong Kong dollars historically. The Group currently has not implemented any foreign currency hedging policy and we will consider hedging against significant foreign exchange exposure should the need arise.

LITIGATION

On 16 November 2020, the Company received a judgement issued by the People's Court, Shenzhen, Guangdong Province, pursuant to which, among others, the Company shall repay to the plaintiff the outstanding rental of approximately RMB0.63 million plus overdue interests and other costs. The Company appealed the above judgement to the Intermediate Court, Shenzhen, Guangdong Province in December 2020. The Company received a final judgement dated 3 November 2021 issued by the Intermediate People's Court, Shenzhen, Guangdong Province which rejected the appeal of the Company and upheld the original judgement issued by the People's Court, Shenzhen, Guangdong Province. The Company had recognised provision under other payables for the claim.

CONTINGENT LIABILITIES

Saved for those disclosed in this announcement, the Group did not have any other contingent liabilities as at 31 December 2023 and 2022.

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

On 30 October 2023, the Company's indirect wholly-owned subsidiary entered into equity transfer agreements with vendors Ms. Yu Zhangyan and Mr. Yu Zuomian to acquire an aggregated 70% share of Guoke Tewe (Beijing) Biotechnology Co., Ltd* (國科特微(北京)生物科技有限公司), and the new business license had been issued on 30 November 2023. Please refer to the Company's announcement dated 30 October 2023 for details.

Saved for those disclosed in this announcement, there were no other significant investments held by the Group for the year ended 31 December 2023 and there were no other material acquisitions and disposals of subsidiaries by the Group for the year ended 31 December 2023.

OUTLOOK

The global economic slowdown is causing uncertainty, and it is expected geopolitical issues continue to be a concern. The Group will maintain a cautious stance and make tactical adjustments where appropriate, we will be ready to capture new opportunities and adjust our priorities and resources, taking into account the prevailing external factors and new norms. Being one-stop service provider to our customers, our aim is to respond to changing customer needs by providing enhanced business solutions through value-added services. We are going to explore into the business of specialized milk products and healthy food items developed and manufactured with self-owned brands by acquiring the majority shares of Guoke.

While the Group will develop and explore ways to improve its financial performance and broaden the sources of revenue, it is the Group's strategy to do so within acceptable risk level and capital requirement. It will continue to control its costs of operation and select the appropriate product mix and regions that the Group should focus on and devote its resources to. We will also review the performance of our existing business portfolio and make suitable investment decisions. Subject to the review results, we do not preclude the possibility that we may dispose of the whole or part of our existing business portfolio and/or change the asset allocation of our businesses.

The Group may restructure its existing debts and implement debt and/or equity fundraising plan(s) to satisfy the financing needs and improve its financial position in the event suitable fundraising opportunities arise. In these regards, the Company will publish announcements as and when appropriate according to the requirements under the applicable listing rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

CORPORATE GOVERNANCE PRACTICES

The Group has recognized the importance of transparency and accountability, and the Board considers that enhanced public accountability and corporate governance are beneficial for the healthy development of the Group, improving customer and supplier confidence. We believe that this can create long-term value for the shareholders of the Company and is beneficial for the Group's sustainable growth. Saved as disclosed below, the Company adopted and complied with the principles and code provisions ("**Code Provision(s)**") in the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the GEM Listing Rules during the year ended 31 December 2023. The Group strives to achieve sound corporate governance standards as far as practicable and utilizes our resources efficiently and effectively.

Code Provision C.2 stipulates the role of the chairman of the Board. Code provision C.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2023, the Company did not have the chairman of the Board and the chief executive officer. The day-to-day management of the Group's business is handled by the executive Directors and the senior management collectively. The Board considers that the principle of balance of power and authority is achieved by the check and balance between the executive directors and the independent non-executive directors and the functions and responsibilities of the chairman under Code Provisions C.2.2 to C.2.9 are, in practice, delegated to a designated director. We believe that the present arrangement is adequate to ensure an effective management and control of the Group's business operations and the Board will keep monitoring and review the arrangement.

Code Provision D.1.2 provides that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 5.01 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 2023.

Following the resignation of Mr. Zheng Wan Zhang on 13 February 2023, the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company comprise only two members, which results in non-compliance with Rules 5.05(1) and 5.28 of the GEM Listing Rules and the terms of reference of the respective committees.

On 29 May 2023, after the appointment of Ms. Liang Zhijun as an independent non-executive Director, the Chairperson of the Nomination Committee and a member of the Audit Committee of the Company, the Company complied with Rules 5.05(1) and 5.28 of the GEM Listing Rules and the terms of reference of the respective committees.

Following the resignation of Ms. Liang Zhijun on 29 June 2023, the Audit Committee and the Nomination Committee of the Company comprise only two members, which results in non-compliance with Rules 5.05(1) and 5.28 of the GEM Listing Rules and the terms of reference of the respective committees.

On 27 September 2023, after the appointment of Mr. Chen Yifan as an independent non-executive Director, the Chairman of the Nomination Committee and a member of the Audit Committee of the Company, the Company complied with Rules 5.05(1) and 5.28 of the GEM Listing Rules and the terms of reference of the respective committees.

Following the resignation of Mr. Wong Tik Tung on 31 December 2023, the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company comprise only two members, and the Remuneration Committee was not chaired by an independent non-executive Director, which results in non-compliance with Rule 5.05(1), 5.28 and 5.34 of the GEM Listing Rules and the terms of reference of the respective committees.

As at the date of this announcement, following the appointment of Mr. Zhou Fenli on 20 March 2024 as an independent non-executive Director, the Chairman of the Remuneration Committee and Compliance Committee, a member of the Audit Committee and the Nomination Committee of the Company, the Company has complied with Rule 5.05(1), 5.28 and 5.34 of the GEM Listing Rules and the terms of reference of the respective committees. Mr. Zhou obtained legal advice on 15 March 2024 according to the requirements of Rule 5.02D of the GEM Listing Rules, and Mr. Zhou has confirmed he understood his obligations as a director of a listed issuer.

AUDIT COMMITTEE

The Company has established an audit committee (“**Audit Committee**”) on 11 May 2016 with written terms of reference that are in conformity of the requirements of the CG Code. The Audit Committee of the Company currently comprise three independent non-executive Directors, namely Mr. Man Wai Lun, Mr. Chen Yifan and Mr. Zhou Fenli. Mr. Man Wai Lun, a Director with the appropriate professional qualifications, serves as the chairman of the Audit Committee. Among other things, the primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of our Group’s financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee has reviewed the financial statements and annual results for the year ended 31 December 2023 and has provided advice and comments thereon.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group’s auditors, McMillan Woods (Hong Kong) CPA Limited (“**McMillan Woods**”), to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by McMillan Woods in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by McMillan Woods on this announcement.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditor’s report on the Group’s consolidated financial statements for the year ended 31 December 2023:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements, which indicates that the Group incurred a loss attributable to owners of the Company of approximately HK\$17,334,000 during the year ended 31 December 2023 and the Group’s current liabilities exceeded its current assets by HK\$6,125,000 and the total liabilities exceeded its total assets by HK\$13,901,000 as at 31 December 2023. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon the outcomes of the Group to (i) attain profitable and positive cash flows from operations; and (ii) obtain the financial support from a shareholder as detailed in note 2 to the consolidated financial statements.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

According to the GEM Listing Rules, the 2023 Annual Report of the Company shall contain all information as required by the GEM Listing Rules and will be published on the Company's website at www.mpgroup.hk and the Stock Exchange's website at www.hkexnews.hk in due course.

By order of the Board
Millennium Pacific Group Holdings Limited
Chen Yiliang
Executive Director

Hong Kong, 28 March 2024

As at the date of this announcement, the executive Directors is Mr. Chen Yiliang; and the independent non-executive Directors are Mr. Man Wai Lun, Mr. Chen Yifan and Mr. Zhou Fenli.

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).

* *for identification purpose only*