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 2016

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of the companies listed on GEM, 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 the 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 2016

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 2016 together with the comparative figures for the preceding year ended 31 December 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	**2016** *HK$'000*	2015 *HK$'000*
Revenue	*7*	**51,727**	67,098
Cost of sales		**(46,125)**	(61,054)
Gross profit		**5,602**	6,044
Other income	*8*	**2,701**	1,084
Gain on disposals of subsidiaries		**937**	–
Selling and distribution costs		**(1,957)**	(3,321)
Administrative expenses		**(51,366)**	(20,890)
Loss from operation		**(44,083)**	(17,083)
Finance costs	*9*	**(10)**	(424)
Loss before tax	*10*	**(44,093)**	(17,507)
Income tax expense	*11*	**(1)**	(19)
Loss for the year attributable to the owners of the Company		**(44,094)**	(17,526)
Other comprehensive income for the year, net of tax:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**2,012**	548
Total comprehensive income for the year attributable to the owners of the Company		**(42,082)**	(16,978)
Loss per share (cents)			
— Basic	*13*	**(0.84)**	(0.34)
— Diluted	*13*	**(0.84)**	(0.34)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**3,890**	4,792
Intangible assets		**–**	219
		3,890	5,011
Current assets			
Inventories		**3,044**	22,734
Trade receivables	*14*	**4,620**	5,927
Prepayments and deposits		**1,966**	5,556
Current tax assets		**11**	52
Bank and cash balances		**7,212**	32,985
		16,853	67,254
Current liabilities			
Trade payables	*15*	**1,687**	11,682
Other payables, deposits received and accrued expenses		**6,131**	5,895
Amount due to a director		**683**	6,275
Finance lease payables		**41**	158
Bank overdrafts		**50**	–
Current tax liabilities		**209**	–
		8,801	24,010
Net current assets		**8,052**	43,244
Total assets less current liabilities		**11,942**	48,255
Non-current liabilities			
Amount due to a director		**5,811**	–
Finance lease payables		**–**	42
		5,811	42
NET ASSETS		**6,131**	48,213
Capital and reserves			
Share capital	*16*	**1,046**	1,046
Reserves		**5,085**	47,167
TOTAL EQUITY		**6,131**	48,213

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to the owners of the Company								
	Share capital	Share premium	Statutory reserve	Merger reserve	Foreign currency translation reserve	Option reserve	Retained profits/ (accumulated losses)	Total reserve	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	1,046	38,747	766	12,400	426	317	11,489	64,145	65,191
Total comprehensive income and changes in equity for the year	–	–	–	–	548	–	(17,526)	(16,978)	(16,978)
At 31 December 2015 and 1 January 2016	1,046	38,747	766	12,400	974	317	(6,037)	47,167	48,213
Release upon lapse of share option	**–**	**–**	**–**	**–**	**–**	**(317)**	**317**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**2,012**	**–**	**(44,094)**	**(42,082)**	**(42,082)**
Changes in equity for the year	**–**	**–**	**–**	**–**	**2,012**	**(317)**	**(43,777)**	**(42,082)**	**(42,082)**
At 31 December 2016	**1,046**	**38,747**	**766**	**12,400**	**2,986**	**–**	**(49,814)**	**5,085**	**6,131**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is located at B3 YuCan Industrial Park, Lanzhu West Road, Export Processing Zone, Pingshan New District, Shenzhen, the People's Republic of China (the "**PRC**"). The Company's shares are listed on the Growth Enterprise Market (the "**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 18 July 2014 (the "**Listing**").

The Company is an investment holding company. The principal activities of its subsidiaries are research, development, manufacturing and trading of electronic devices.

2. GOING CONCERN

The Group incurred a loss attributable to the owners of the Company of approximately HK$44,094,000 (2015: approximately HK$17,526,000) and net cash outflow from operating activities of approximately HK$28,387,000 (2015: approximately HK$18,359,000) for the year ended 31 December 2016, and had decrease in net current assets by approximately HK$35,192,000 (2015: approximately HK$16,535,000) with net amount due to a director of approximately HK$6,494,000 (2015: approximately HK$6,275,000) as at 31 December 2016. In preparing these consolidated financial statements, 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; and (ii) obtain external source of funding in the immediate and longer term, at a level sufficient to finance the working capital requirements of the Group. On 20 March 2017, the Company announced that the Company and a placing agent (the "**Placing Agent**") entered into a placing agreement (the "**Placing Agreement**") on 16 March 2017, pursuant to which the Company agreed to appoint the Placing Agent to procure placees to subscribe for the 4.0% coupon unlisted bonds with a term of 12 months, to be issued in tranches by the Company in an aggregate principal amount up to HK$30,000,000 (the "**Bonds**"). Up to the approval date on these financial statements, the placing of Bonds has yet been completed which creates an uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the directors considered that it is appropriate to adopt the going concern in preparing these consolidated financial statements.

In order to strengthen the Group's capital base and liquidity in the foreseeable future, the Group has taken the following measures:

— in the event the placing of Bonds was failed to complete, Mr. Kor Sing Mung, Michael, a director and a substantial shareholder of the Company has agreed to provide interest-free and unsecured financial support to the extent of HK$15,000,000 to the Group for the next twelve months to meet its financial obligations as they fall due;

— negotiating with bankers for obtaining new banking facilities;

— the directors of the Company have been taking various cost control measures to tighten the costs of operations;

— the directors of the Company have reviewed the performance of individual projects and where appropriate, to abandon or dispose of those non-profitable projects; and

— the Group has been implementing various strategies to enhance the Group's revenue.

Based on the cash flow projections of the Group and having taken into account the available financial resources of the Group together with the above measures, the directors have concluded that the Group is able to continue as a going concern and to meet their financial liabilities as and when they fall due for the next twelve months. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

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 the GEM of the Stock Exchange (the "**GEM Listing Rules**") and with the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

4. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

In current year, the Group has adopted all the new and revised HKFRSs that are first effective for annual period beginning on 1 January 2016. None of these developments have had a material effect on how the Group's results and financial position of the Group for the current and prior years have been prepared and presented.

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

The Group has not early applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2016. These new and revised HKFRSs include the following which may be relevant to the Group.

Amendments to HKAS 7	Statement of Cash Flows: Disclosure initiative[1]
Amendments to HKAS 12	Income Taxes: Recognition of deferred tax assets for unrealised losses[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 2	Share-based Payment: Classification and measurement of share-based payment transactions[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

[1] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[4] Effective for annual periods beginning on or after a date to be determined. Early adoption is permitted.

The Group is in the process of making an assessment of what the impact of these amendments and new standards to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantity the impact until a more detailed assessment is completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations in the contract

5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Group is currently assessing the impacts of adopting HKFRS 15 on the consolidated financial statements and unable to estimate the impact of the new standard on the consolidated financial statements until a more detailed analysis is completed.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or finance leases.

The Group's offices, factory premises and staff quarters leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its offices, factory premises and staff quarters amounted to a total of approximately HK$4,423,000 as at 31 December 2016. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

5. SIGNIFICANT ACCOUNTING POLICIES

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

6. SEGMENT INFORMATION

Operating segment information

The Group is engaged in the 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 geographical location as follows:

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**1,250**	927
PRC	**2,640**	4,084
	3,890	5,011

Non-current assets include property, plant and equipment and intangible assets.

Information about the Group's revenue from external customers is presented based on the geographical location as follows:

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**23,007**	9,465
United Kingdom	**7,566**	8,919
The Netherlands	**7,162**	11,270
Germany	**7,026**	–
Others	**6,966**	37,444
	51,727	67,098

Information about major customers

The Group's customer base included five (2015: four) customers with whom transactions have exceeded 10% of its revenue during the years is set out as below:

	2016	2015
	HK$'000	*HK$'000*
Customer A *(note i)*	**7,800**	N/A
Customer B	**7,566**	8,919
Customer C *(note ii)*	**7,176**	N/A
Customer D	**7,162**	11,270
Customer E	**7,026**	7,851
Customer F *(note iii)*	**N/A**	16,847
	36,730	44,887

(i) Customer A did not contribute over 10% of the total turnover of the Group for the year ended 31 December 2015.

(ii) Customer C did not contribute over 10% of the total turnover of the Group for the year ended 31 December 2015.

(iii) Customer F did not contribute over 10% of the total turnover of the Group for the year ended 31 December 2016.

7. REVENUE

Revenue represents the invoiced values of goods sold, after allowances for returns and discounts. An analysis of the Group's revenue for the year is as follows:

	2016	2015
	HK$'000	*HK$'000*
Sales of manufactured products	**28,721**	56,150
Sales on trading of electronic products, accessories and raw materials	**23,006**	10,948
	51,727	67,098

8. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Gain on sales of scrap	**42**	68
Government subsidies	**–**	465
Interest income	**13**	13
Unwinding of discount on non-current liabilities	**1,189**	–
Others	**1,457**	538
	2,701	1,084

9. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on bank loans	**–**	133
Interest on bank overdrafts	**–**	161
Interest on import/export loans	**–**	109
Finance lease charges	**10**	21
	10	424

10. LOSS BEFORE TAX

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

	Note	**2016**	2015
		HK$'000	*HK$'000*
Amortisation of intangible assets		**135**	20
Depreciation of property, plant and equipment	*(a)*	**1,760**	1,455
Staff costs (including directors' emoluments)	*(b)*		
— Salaries, bonus and allowances		**17,280**	13,482
— Retirement benefits scheme contributions		**1,222**	1,029
		18,502	14,511
Cost of inventories sold		**46,125**	61,054
Foreign exchange loss		**2,896**	1,444
Gain on disposals of subsidiaries		**(937)**	–
Operating lease charges on premises	*(c)*	**4,151**	3,270
Auditors' remuneration		**674**	527
Impairment on intangible assets		**579**	–
Allowance for inventories		**15,813**	2,794

Notes:

(a) Depreciation of property, plant and equipment of approximately HK$414,000 (2015: HK$433,000) for the year ended 31 December 2016 is included in cost of sales.

(b) Staff costs of approximately HK$1,511,000 (2015: HK$4,325,000) for the year ended 31 December 2016 is included in cost of sales.

(c) Operating lease charges of approximately HK$502,000 (2015: HK$541,000) for the year ended 31 December 2016 is included in cost of sales.

11. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**–**	–
Over-provision in prior years	**–**	(2)
	–	(2)
Current tax — PRC EIT		
Provision for the year	**1**	–
Under-provision in prior years	**–**	21
	1	21
Total tax charge for the year	**1**	19

The tax rate applicable to the Group's Hong Kong subsidiaries were 16.5% (2015: 16.5%) during the year. No provision for Hong Kong Profits Tax is required as the Group's Hong Kong subsidiaries have no assessable profit for the year (2015: Nil).

On 24 December 2014, Central Pacific Int Technology Limited ("**CPIT**"), a Company's PRC subsidiary, was granted status of High and New Technology Enterprise and entitled to preferential EIT rate of 15% from 1 January 2014 to 31 December 2016 provided CPIT continues engaged in activities which meet the criteria of being a High and New Technology Enterprise pursuant to No. 28 of the EIT Law of the PRC ("**EIT Law**") and No. 93 of the Regulation on the Implementation of the EIT Law promulgated by the State Council of the PRC.

The tax rate applicable to the Group's other PRC subsidiaries were 25% (2015: 25%) during the year.

No PRC EIT is required for the year ended 31 December 2015 as the Group's PRC subsidiaries did not generate any assessable profit for that year.

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

	2016	2015
	HK$'000	*HK$'000*
Loss before tax	**(44,093)**	(17,507)
Tax at the domestic tax rate of 16.5% (2015: 16.5%)	**(7,275)**	(2,889)
Tax effect of preferential tax rate	**2,148**	754
Tax effect of income that is not taxable	**(351)**	(39)
Tax effect of expenses that are not deductible	**5,938**	1,672
Tax effect of temporary differences not recognised	**(94)**	(52)
Tax effect of tax losses not recognised	**1,497**	1,216
Under-provision in prior years	**–**	19
Effect of different tax rates of subsidiaries	**(1,862)**	(662)
Income tax expense for the year	**1**	19

12. DIVIDEND

No dividend had been paid or declared by the Company during the year (2015: Nil).

13. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$44,094,000 (2015: HK$17,526,000) and the weighted average number of ordinary shares of 5,227,800,000 (2015: 5,227,800,000) in issue during the year.

(b) Diluted loss per share

The effects of the Company's potential ordinary shares in respect of the outstanding share options are anti-dilutive for the years ended 31 December 2016 and 2015.

14 TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**4,620**	5,927

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 30 days (2015: 30 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:

	2016	2015
	HK$'000	*HK$'000*
0–30 days	**591**	621
31–60 days	**263**	1,382
61–90 days	**123**	153
Over 90 days	**3,643**	3,771
	4,620	5,927

As of 31 December 2016, trade receivables of approximately HK$4,121,000 (2015: HK$5,306,000) were past due but not impaired. 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:

	2016	2015
	HK$'000	*HK$'000*
0–30 days	**92**	1,382
31–60 days	**263**	153
Over 60 days	**3,766**	3,771
	4,121	5,306

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

	2016	2015
	HK$'000	*HK$'000*
HK$	**835**	15
US$	**3,698**	5,912
RMB	**87**	–
	4,620	5,927

15. TRADE PAYABLES

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

	2016	2015
	HK$'000	*HK$'000*
0–30 days	**1,118**	2,743
31–60 days	**7**	4,332
61–90 days	**8**	640
Over 90 days	**554**	3,967
	1,687	11,682

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

	2016	2015
	HK$'000	*HK$'000*
HK$	**21**	317
RMB	**451**	7,198
US$	**1,215**	4,167
	1,687	11,682

16. SHARE CAPITAL

	Number of ordinary shares			
	at HK$0.01 per share	**at HK$0.001 per share**	**at HK$0.0002 per share**	*HK$'000*
Authorised				
At 1 January 2015	1,000,000,000	–	–	10,000
Effects of shares subdivision *(note (a))*	(1,000,000,000)	10,000,000,000	–	–
Effects of shares subdivision *(note (b))*	–	(10,000,000,000)	50,000,000,000	–
At 31 December 2015, 1 January 2016 and 31 December 2016	–	–	50,000,000,000	10,000
Issued				
At 1 January 2015	104,556,000	–	–	1,046
Effects of shares subdivision *(note (a))*	(104,556,000)	1,045,560,000	–	–
Effects of shares subdivision *(note (b))*	–	(1,045,560,000)	5,227,800,000	–
At 31 December 2015, 1 January 2016 and 31 December 2016	–	–	5,227,800,000	1,046

Notes:

(a) Pursuant to the share subdivision on 8 January 2015, the authorised share capital of the Company of HK$10,000,000 was divided into 10,000,000,000 subdivided shares, of which 1,045,560,000 subdivided shares was issued and fully paid. After the shares subdivision, each of the existing issued and unissued shares of par value of HK$0.01 each in the share capital of the Company was subdivided into 10 subdivided shares of par value of HK$0.001 each.

(b) Pursuant to the share subdivision on 9 October 2015, the authorised share capital of the Company of HK$10,000,000 was divided into 50,000,000,000 subdivided shares, of which 5,227,800,000 subdivided shares was issued and fully paid. After the shares subdivision, each of the existing issued and unissued shares of par value of HK$0.001 each in the share capital of the Company was subdivided into 5 subdivided shares of par value of HK$0.0002 each.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The capital structure of the Group comprises all components of shareholders' equity.

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit from the date of the Listing. As of 31 December 2016, 57% (2015: 33%) of the shares were in public hands.

EXTRACT OF THE AUDITORS' REPORT

The following is an extract of the independent auditor's report on the Group's annual financial statements for the year ended 31 December 2016:

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 2016, 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 (the "**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 financial statements which reveals that the Group incurred a loss attributable to owners of the Company of approximately HK$44,094,000 and net cash outflow from operating activities of approximately HK$28,387,000 for the year ended 31 December 2016, and had decrease in net current assets by approximately HK$35,192,000 with net amount due to a director of approximately HK$6,494,000 as at 31 December 2016. These conditions, along with other matters as set forth in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. 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 external source of funding in the immediate and longer term, at a level sufficient to finance the working capital requirements of the Group. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is principally engaged in the research and development, manufacture and sale of consumer electronic products, such as fitness bracelets, GPS personal navigation devices, mobile internet devices and TV set-top boxes. The Group provides one-stop services to our customers by offering design, prototyping/sampling, manufacturing, assembling and packaging of their products. The turnover of the Group for the year ended 31 December 2016 was approximately HK$51.7 million, representing a decrease of approximately 23.0% from approximately HK$67.1 million for the year ended 31 December 2015. In 2016, the global economic environment was extremely volatile, with the personal electronics market taking the brunt. Several leading brands in the market suffered from declined performance, and the Group was also affected in terms of the sales of its electronic devices. Therefore, we set aside a significant amount of allowance for the inventory during the year. In addition, as operation of its online transaction platform was not as good as expected and failed to improve sales revenue by leveraging on the Big Data of the online platform and Business Intelligence Technology, the Group suspended relevant expansion efforts and expanded its product diversity by every possible means to supply the existing trade business while keeping an eye on potential acquisition targets, in order for the Group to realise profit as soon as possible.

In an attempt to broaden our product category and sales channel, in July 2016, the Group launched the internet trading platform, namely "CQP Mall", which is an online sales and advertisement platform. The internet trading platform business was carried out under our subsidiaries, namely Millennium Pacific Information Technology Limited ("**MPIT**"), Truvisio Limited ("**Truvisio**") and Millennium Pacific Information Technology (Shenzhen) Limited ("**MPITSZ**"). After the launch, the performance of the internet trading platform was unsatisfactory. In December 2016, the Group has ended the internet trading platform business by disposing of the above subsidiaries. The net loss of the internet trading platform until the date of disposal was approximately HK$9.6 million.

The following table sets forth the breakdowns of the turnover of the Group for each of the years ended 31 December 2015 and 2016:

	For the year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Sales of manufactured products	**28,721**	56,150
Sales on trading of electronic products, accessories and raw materials	**23,006**	10,948
	51,727	67,098

Cost of Sales and Gross Profit

The majority of the Group's cost of sales was raw material costs. The Group's cost of sales dropped by 24.5% to approximately HK$46.1 million between the year ended 31 December 2015 and 2016. The gross profit margin increased from approximately 9.0% for the year ended 31 December 2015 to approximately 10.8% for the year ended 31 December 2016. The increase in gross profit margin was mainly due to stringent cost control measure implemented during the year ended 31 December 2016. The gross profit dropped slightly from approximately HK$6.0 million for the year ended 31 December 2015 to approximately HK$5.6 million for the year ended 31 December 2016. The decrease in gross profit was in line with the decrease in turnover of the Group mainly because (i) the largest customer of the Group has ceased to place order for GPS personal navigation devices from the Group due to the change of its product line; and (ii) the sales of the Group's consumer electronic products, such as fitness bracelets and mobile internet devices were unsatisfactory.

Expenses

Staff costs for the year ended 31 December 2016 was approximately HK$18.5 million (2015: approximately HK$14.5 million), representing an increase of approximately HK$4 million as compared with the last year, which was mainly due to increase in head count in Hong Kong during the period.

Administrative expenses for the year ended 31 December 2016 was approximately HK$51.4 million (2015: approximately HK$20.9 million), representing an increase of approximately HK$30.5 million as compared with the last corresponding period, mainly due to the increase in operating lease charges on premises in respect of offices in Hong Kong and PRC, the allowance for inventories, staff costs and foreign exchange loss. A significant amount of allowance for inventories of approximately HK$15.8 million (2015: approximately HK$2.8 million) has been made during the year ended 31 December 2016 as a result of the drop in market needs of its consumer electronic products.

Taxes

The income tax expense comprised Hong Kong Profits Tax and PRC Enterprise Income Tax ("**EIT**") for the year. The income tax expense for the year ended 31 December 2016 was approximately HK$1,000 (2015: approximately HK$19,000).

Hong Kong Profits Tax is provided at 16.5% (2015: 16.5%) based on the assessable profits for the year. On 26 December 2014, Central Pacific Int Technology Limited ("**CPIT**"), a Company's PRC subsidiary, was granted status of High and New Technology Enterprise and entitled to preferential EIT rate of 15% from 1 January 2014 to 31 December 2016 provided that CPIT continues engaging in activities which meet the criteria of being a High and New Technology Enterprise pursuant to No. 28 of the EIT Law of the PRC ("**EIT Law**") and No. 93 of the Regulation on the Implementation of the EIT Law promulgated by the State Council of the PRC. The tax rate applicable to the Group's other PRC subsidiaries were 25% (2015: 25%) during the year.

Loss for the Year

The Group incurred a net loss of approximately HK$44.1 million during the year ended 31 December 2016, as compared with a net loss of approximately HK$17.5 million for the year ended 31 December 2015. The loss incurred was mainly because (i) the largest customer of the Group has ceased to place order for GPS personal navigation devices from the Group due to the change of its product line; (ii) the sales of the Group's consumer electronic products, such as fitness bracelets and mobile internet devices were unsatisfactory; (iii) a significant amount of allowance for inventories of approximately HK$15.8 million (2015: approximately HK$2.8 million) has been made during the year ended 31 December 2016 as a result of the drop in market needs of its consumer electronic products; and (iv) the operation of internet trading platform was unsatisfactory. All the above reasons resulted in significant net loss of the Group during the year ended 31 December 2016.

Liquidity, Financial Resources and Capital Structure

Historically, the Group has funded its liquidity and capital requirements primarily through operating cash flows, bank borrowings and funds from the listing of the Company's shares on GEM of the Stock Exchange. The Group requires cash primarily for working capital needs. As at 31 December 2016, the Group had bank and cash balances of approximately HK$7.2 million (31 December 2015: approximately HK$33.0 million). The Board kept monitoring the cash level of the Group and would consider different ways of financing in order to ensure the sufficiency of cash.

The Group incurred a loss attributable to owners of the Company of approximately HK$44.1 million and net cash outflow from operating activities of approximately HK$28.4 million for the year ended 31 December 2016, and had decrease in net current assets by approximately HK$35.2 million with net amount due to a director of approximately HK$6.5 million as at 31 December 2016. These conditions to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Taking into account the Group's future development needs, the Company and a placing agent (the "**Placing Agent**") entered into a placing agreement (the "**Placing Agreement**") on 16 March 2017, pursuant to which the Company agreed to appoint the Placing Agent to, on a best effort basis, procure placees to subscribe for the 4.0% coupon unlisted bonds with a term of 12 months, to be issued in tranches by the Company in an aggregate principal amount up to HK$30,000,000 (the "**Bonds**"). Details of Placing Agreement have been disclosed in the announcement of the Company dated 20 March 2017. Up to the date of this announcement, the placing of Bonds has yet been completed.

Proceeds from bond issuance will be used for potential acquisitions or working capital to strengthen the trading business of the Group.

Gearing Ratio

As at 31 December 2016, we had bank overdraft of approximately HK$50,000 (31 December 2015: nil) and finance lease payables of approximately HK$41,000 (31 December 2015: HK$0.2 million). Due to the drop of total equity, the gearing ratio increased from approximately 0.4% as at 31 December 2015 to approximately 1.5% as at 31 December 2016.

Note: Gearing ratio is calculated as the total debt divided by total equity. For the avoidance of doubt, total debt includes bank borrowing and finance lease obligations.

OPERATION REVIEW

Outlook

In 2016, the global economic environment was extremely volatile, with the personal electronics market taking the brunt. Several leading brands in the market suffered from declined performance, and the Group was also affected in terms of the sales of its electronic devices. Therefore, we set aside a significant amount of allowance for inventory during the year. In addition, as operation of its online transaction platform was not as good as expected and failed to improve sales revenue by leveraging on the Big Data of the online platform and Business Intelligence Technology. Both led to the increase in the net loss for the year ended 31 December 2016.

According to International Data Corporation ("**IDC**"), an international provider of market data for the information technology, telecommunications and consumer technology markets, global tablet shipment declined for the first time in the last quarter of 2014 since 2010. The global tablet shipments have been declining since then with global tablet shipments dropping further by 15.6% in 2016 to 174.8 million units compared to 2015, marking the second straight year of declining shipments. The global tablet market has become even more difficult for small manufacturers as the market share of small manufacturers was shrinking, with the aggregate market share of all tablet manufacturers other than top 5 manufacturers dropping from 37.4% in the last quarter of 2014 to 19.8% in the last quarter of 2016. The small manufacturers are competing for the smaller share in a shrinking market.

Source: IDC Worldwide Quarterly Tablet Tracker, February 1, 2016 and February 2, 2017

With the competitive market condition, the Group has sought to expand its product portfolio. In 2016, the Group has launched its health tracking products, Skipping Rope and Bike Meter, under its existing principal business.

In July 2015, our Group launched its new product fitness bracelet. Our fitness bracelets were sold at various platforms such as our own website, a third party online platform and various retail stores. We sold 19,000 units of fitness bracelets in 2016 (2015: 576 units), generating revenue of approximately HK$3.4 million in 2016 (2015: approximately HK$0.1 million).

In an attempt to broaden our product category and sales channel, in July 2016, the Group launched the internet trading platform, namely "CQP Mall", which is an online sales and advertisement platform. The internet trading platform business was carried out under our subsidiaries, MPIT, Truvisio and MPITSZ. After the launch, the performance of the internet trading platform was unsatisfactory. In December 2016, the Group has ended the internet trading platform business by disposing of the above subsidiaries. The net loss of the internet trading platform until the date of disposal was approximately HK$9.6 million.

Looking forward, the Group will remain committed to the development of our trading business. Apart from enhancing the research and development function and expanding its product functionality, the Group is actively developing orders for electronic products, at home and abroad, through various channels and continues to seek new investment opportunities with growth potential. No target has been confirmed and no decision of such investment has been made by the Board. The Company will publish announcement on these matters (if any) in due course.

Litigations

On 27 July 2016, the Company received a writ of summons filed by Kim, Sungho as the plaintiff ("**Plaintiff**") against (i) CPIT Investments Limited, which is beneficially owned as to 99% by Mr. Tang Wai Ting Samson ("**Mr. Tang**"), an executive director and the chairman of the Company, and 1% by Ms. Chan Kai Hei ("**Mrs. Tang**"), a director of Central Pacific International Group Limited which is an indirect wholly-owned subsidiary of the Company and the spouse of Mr. Tang); (ii) Mr. Tang; (iii) Mrs. Tang; (iv) Mr. Kor Sing Mung, Michael (an executive director and the vice-chairman of the Company); (v) Mr. Yang Wu; and (vi) the Company as the defendants under an action number HCA 1935/2016 ("**First Proceeding**") in the High Court of Hong Kong ("**Court**") regarding certain dealings in the shares of the Company. On 12 August 2016, the Company received a writ of summons filed by Lim Hang Young as the plaintiff against (i) World Link CPA Limited (the auditor of the Company) ("**Auditor**"); (ii) Mr. Tang; (iii) Mr. Chan Kwon Chi Vicky (a director of CPIT Investments Limited); (iv) CPIT Investments Limited; and (v) the Company as the defendants under an action number HCA 2041/2016 ("**Second Proceeding**") in the Court regarding, inter alia, certain accounting issues. The Company has obtained orders from the Court on 18 January 2017 to dismiss the First Proceeding and the Second Proceeding against the Company with costs of the proceedings to be paid by Kim, Sungho and Lim Hang Young respectively. The Company is therefore no longer a party in these actions. Details of the above legal proceedings are set out in the Company's announcements dated 27 July 2016, 12 August 2016 and 3 February 2017.

Employees and Remuneration Policies

As at 31 December 2016, the Group had a total of 66 employees. The Group's staff costs for the year ended 31 December 2016 amounted to approximately HK$18.5 million (2015: approximately HK$14.5 million). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. 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 trainings and share options.

In Hong Kong, the Group's employees have participated in the mandatory provident fund schemes prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). In the PRC, the Group's employees have 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 provident 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.

Capital expenditure

The Group purchased property, plant and equipment amounting to approximately HK$2.0 million for the year ended 31 December 2016 (2015: approximately HK$0.8 million).

Capital commitments

The Group did not have any significant capital commitments as at 31 December 2016 (2015: Nil).

Foreign Currency Risk

The Company does not have significant exposure on foreign currency risk.

The functional currencies of the Group's entities are principally denominated in HK$ and Renminbi ("**RMB**"). The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currencies of the respective Group entities such as United States dollars ("**US$**"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities.

The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge against its foreign exchange exposure during the year ended 31 December 2016.

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

In December 2016, the Group disposed of three subsidiaries, MPIT, Truvisio and MPITSZ, to an independent third party. Before the disposals, MPIT and MPITSZ assisted the Group's internet trading platform. Truvisio assisted the Group's research and development in consumer electronic products. The management believes that such disposals will help the Group to centralise resources management and improve original trading business so that the Group is able to realise profit as soon as possible.

Save for the above, there were neither significant investments held as at 31 December 2016 nor material acquisitions and disposals of subsidiaries made during the year ended 31 December 2016. Save for the possible acquisition of a company established in the PRC (the "**Possible Acquisition**"), details of which are set out in the announcement of the Company dated 3 February 2017, there is no plan for material investments or capital assets as at the date of this announcement.

Charges over Assets of the Group

As at 31 December 2016, the Group had no pledged deposits (2015: HK$Nil). The Group had a motor vehicle with carrying amount of HK$40,000 (2015: HK$198,000) acquired under finance leases. As at 31 December 2016, the carrying value of finance leases payables amounted to approximately HK$41,000 (2015: approximately HK$0.2 million).

Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016.

PURCHASES, SALES 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 2016.

CORPORATE GOVERNANCE PRACTICES

The Group has committed to upholding high standards of corporate governance. The Board considers that enhanced public accountability and corporate governance are beneficial for the healthy growth of the Group, improving customer and supplier confidence and safeguarding the interests of shareholders of the Company.

The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules as its own code effective from 18 July 2014 (the "**Listing Date**") upon the listing of the Company and had complied with the CG Code during the year ended 31 December 2016, except for the following deviation. The Board has continued to monitor and review the corporate governance principles and practices to ensure compliance.

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Tang Wai Ting Samson ("**Mr. Tang**") is the Chairman and the chief executive officer of the Company. In view of Mr. Tang is one of the co-founders of the Group and has been operating and managing the Group since 2004, the Board believes that it is in the best interest of the Group to have Mr. Tang taking up both roles for effective management and business development. Therefore the Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

CG Code provision A.6.7 requires that independent non-executive Directors and other non-executive Directors shall attend general meetings and develop a balanced understanding of the views of Shareholders. Two non-executive Directors and three independent non-executive Directors attended the Annual General Meeting. The other Directors were obliged to be away for their business matters and for negotiating with potential business partners.

EVENTS AFTER THE REPORTING PERIOD

Dr. Li Ying has resigned as a non-executive Director of the Company with effect from 1 February 2017 due to his other business commitments and the Company has approved the appointment of Mr. Au Hoi Fung as a non-executive Director of the Company with effect from 1 February 2017. Details of the above are set out in the Company's announcement dated 16 January 2017.

As disclosed in the paragraph headed "Litigations" of this announcement, the Company was involved in the First Proceeding and the Second Proceeding. The Company has obtained orders from the Court on 18 January 2017 to dismiss the First Proceeding and the Second Proceeding against the Company with costs of the proceedings to be paid by Kim, Sungho and Lim Hang Young respectively. The Company is therefore no longer a party in these actions. Details of the above legal proceedings are set out in the Company's announcements dated 27 July 2016, 12 August 2016 and 3 February 2017.

On 3 February 2017, the Company entered into the memorandum of understanding ("**MOU**") with the target company established in the PRC in respect of the Possible Acquisition. The target company is principally engaged in research, development, design, manufacture and sales of weak alkaline waste-free water purification machine. The Company believes that the Possible Acquisition, if materializes, will enable the Company to complement on the business of research, development, manufacturing and trading of electronic devices. The Company will make further announcement(s) as and when appropriate and comply with all other applicable requirements under the GEM Listing Rules. Our Group will keep the shareholders abreast of the latest development of the Group. Details of the above are set out in the Company's announcement dated 3 February 2017.

Mr. Chou Chiu Ho has tendered his resignation as the company secretary, authorized representative and member of the compliance committee of the Company with effect from 18 March 2017 due to his personal career development and Mr. Kor Sing Mung, Michael, currently an executive Director, has been appointed as the authorized representative of the Company with effect from 18 March 2017. The Company is in the process of identifying suitable candidate to fill in the vacancy of Company secretary of the Company. Details of the above are set out in the Company's announcement dated 20 March 2017.

As disclosed in the announcement of the Company dated 20 March 2017, the Board has resolved to change the use of part of the proceeds from the issue of new shares of the Company under the placing as set out in the prospectus of the Company dated 27 June 2014.

On 16 March 2017 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to, on a best effort basis, to procure independent Placees to subscribe for the Bonds. Details of the above are set out in the Company's announcement dated 20 March 2017.

SCOPE OF WORK OF WORLD LINK CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been compared by the Company's auditor, World Link CPA Limited ("**World Link**"), to the amounts set out in the Group's financial statements for the year and the amounts were found to be in agreement. The work performed by World Link in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor on this preliminary announcement of results.

AUDIT COMMITTEE

The Company has established an audit committee ("**Audit Committee**") with written terms of reference that are in conformity of the requirements of the CG Code which are available on the websites of the Stock Exchange and the Company.

The Audit Committee is currently composed of the 4 independent non-executive Directors, namely Ms. Eugenia Yang, Ms. Chan Sze Man, Mr. Lee Wai Hung and Mr. Ng Ka Chung, and chaired by Ms. Eugenia Yang, which is in full compliance with Rule 5.28 of the GEM Listing Rules.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2016 and recommended approval to the Board.

By Order of the Board of
Millennium Pacific Group Holdings Limited
Tang Wai Ting, Samson
Chairman

Hong Kong, 21 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. Tang Wai Ting, Samson, Mr. Kor Sing Mung, Michael, Mr. Mak Hing Keung, Thomas and Mr. Liu Liang; the non-executive directors of the Company are Mr. Tse Yee Hin, Tony and Mr. Au Hoi Fung; and the independent non-executive directors of the Company are Ms. Chan Sze Man, Mr. Lee Wai Hung, Mr. Ng Ka Chung, and Ms. Eugenia Yang.

This announcement will appear on the GEM website (www.hkgem.com) for at least seven days after the date of publication and on the website of the Company (www.mpgroup.com.hk).