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 2018

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 2018

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 2018 together with the comparative figures for the preceding year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*7*	**77,433**	112,984
Cost of sales		**(67,258)**	(107,419)
Gross profit		**10,175**	5,565
Other income	*8*	**3,311**	2,756
Gain on disposals of subsidiaries		**–**	701
Selling and distribution costs		**(225)**	(640)
Administrative expenses		**(46,784)**	(41,634)
Loss from operation		**(33,523)**	(33,252)
Finance costs	*9*	**(396)**	(397)
Share of loss of an associate		**(478)**	–
Loss before tax	*10*	**(34,397)**	(33,649)
Income tax expense	*11*	**(733)**	(38)
Loss for the year		**(35,130)**	(33,687)
Other comprehensive income/(loss):			
Item that will not be reclassified to profit or loss:			
Fair value changes of financial assets at fair value through other comprehensive income (FVTOCI)		**125**	–
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**838**	(2,198)
Other comprehensive income/(loss) for the year, net of tax		**963**	(2,198)
Total comprehensive loss for the year		**(34,167)**	(35,885)

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Loss for the year attributable to:			
— the owners of the Company		**(36,293)**	(33,665)
— non-controlling interests		**1,163**	(22)
		(35,130)	(33,687)
Total comprehensive loss for the year attributable to:			
— the owners of the Company		**(35,281)**	(35,866)
— non-controlling interests		**1,114**	(19)
		(34,167)	(35,885)
Loss per share (cents)			
— Basic	*13*	**(0.66)**	(0.63)
— Diluted	*13*	**(0.66)**	(0.63)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
Non-current assets			
Property, plant and equipment		**1,350**	51
Investment in an associate		**1,362**	–
Intangible assets		**–**	–
Financial assets at FVTOCI		**8,688**	–
		11,400	51
Current assets			
Inventories		**366**	260
Trade receivables	14	**23,518**	31,232
Other receivables, prepayments and deposits		**10,778**	2,630
Bank and cash balances		**2,025**	21,298
		36,687	55,420
Current liabilities			
Trade payables	15	**17,596**	29,536
Other payables, deposits received and accrued expenses		**9,029**	6,550
Amounts due to directors		**15,019**	3,319
Current tax liabilities		**765**	58
		42,409	39,463
Net current (liabilities)/assets		**(5,722)**	15,957
Total assets less current liabilities		**5,678**	16,008
Non-current liabilities			
Amounts due to directors		**–**	6,207
NET ASSETS		**5,678**	9,801
Capital and reserves			
Share capital	16	**1,111**	1,100
Reserves		**3,416**	8,664
		4,527	9,764
Non-controlling interests		**1,151**	37
TOTAL EQUITY		**5,678**	9,801

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to the owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Statutory reserve *HK$'000*	Merger reserve *HK$'000*	Foreign currency translation reserve *HK$'000*	Option reserve *HK$'000*	Financial assets at FVTOCI reserve *HK$'000*	Accumulated losses *HK$'000*	Total reserve *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2017	1,046	38,747	766	12,400	2,986	–	–	(49,814)	5,085	–	6,131
Issue of shares by placement under general mandate	54	23,880	–	–	–	–	–	–	23,880	–	23,934
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	56	56
Recognition of share-based payments	–	–	–	–	–	15,565	–	–	15,565	–	15,565
Loss and total comprehensive loss for the year	–	–	–	–	(2,201)	–	–	(33,665)	(35,866)	(19)	(35,885)
Changes in equity for the year	54	23,880	–	–	(2,201)	15,565	–	(33,665)	3,579	37	3,670
At 31 December 2017 and 1 January 2018	1,100	62,627	766	12,400	785	15,565	–	(83,479)	8,664	37	9,801
Issue of shares to subscribe financial assets at FVTOCI	**11**	**9,017**	**–**	**–**	**–**	**–**	**–**	**–**	**9,017**	**–**	**9,028**
Recognition of share-based payments	**–**	**–**	**–**	**–**	**–**	**21,016**	**–**	**–**	**21,016**	**–**	**21,016**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**887**	**–**	**125**	**(36,293)**	**(35,281)**	**1,114**	**(34,167)**
Changes in equity for the year	**11**	**9,017**	**–**	**–**	**887**	**21,016**	**125**	**(36,293)**	**(5,248)**	**1,114**	**(4,123)**
At 31 December 2018	**1,111**	**71,644**	**766**	**12,400**	**1,672**	**36,581**	**125**	**(119,772)**	**3,416**	**1,151**	**5,678**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 headquarters 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 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 the 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 services.

2. GOING CONCERN

During the year ended 31 December 2018, the Group incurred a loss of approximately HK$35,130,000 and as at 31 December 2018, the Group had net current liabilities of approximately HK$5,722,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. 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; (ii) obtain external source of funding in the short and longer term; and (iii) negotiate with the Group's creditors to extend the repayment terms of the Group's current liabilities as they fall due, at a level sufficient to finance the working capital requirements of the Group. Having considered the above scenarios, 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:

— the directors of the Company have been taking various cost control measures to tighten the costs of operations and implementing various strategies to enhance the Group's revenue;

— the completion of the proposed issuance of convertible bonds to raise approximately HK$20,000,000, details of which are set out in the announcement of the Company dated 5 March 2019 and 15 March 2019; and

— written consents had been received by the Company from the directors that to extend the repayment terms of amounts due by the Group to the directors until the Group is financially capable to do so.

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 as current assets. 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 (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 below 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) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

The application of HKFRS 9 did not affect the classification and measurement of the Group's loans and receivables as at 1 January 2018 which are continue to be measured at amortised cost after initial application. As a result, restatement of the opening accumulated losses, other components of equity and comparative information is not required.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

— those to be measured subsequently at FVTOCI or fair value through profit or loss ("FVTPL"); and

— those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies financial assets when and only when its business model for managing those assets changes.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

(b) Measurement

At initial recognition, the Group measures financial assets at its fair value plus, in the case of financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments are continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other income or administrative and other operating expenses in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(c) *Impairment*

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the Group's receivables. There is no significant change in accumulated impairment loss at the date of initial adoption of HKFRS 9 as compared with that recognised under HKAS 39.

The measurement categories for all financial liabilities of the Group remain the same and the carrying amounts for all financial liabilities of the Group as at 1 January 2018 have not been significantly impacted by the initial application of HKFRS 9.

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	*Note*	**Classification under HKAS 39**	**Classification under HKFRS 9**	**Carrying amount under HKAS 39**	**Carrying amount under HKFRS 9**
		HK$'000	*HK$'000*		
Trade receivables	*(a)*	Loans and receivables	Amortised cost	31,232	31,232
Other receivables, prepayment and deposits	*(a)*	Loans and receivables	Amortised cost	2,630	2,630

Note:

(a) These balances were classified as loans and receivables under HKAS 39 are now classified at amortised cost.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference, if any, at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. The initial adoption of HKFRS 15 did not have impact on the Group's opening accumulated losses and how the Group recognises its revenue.

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019
Amendments to HKAS 28 Long-term Interest in Associates and Joint Ventures	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

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 financing leases. HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office and factory leases are currently classified as operating leases and where applicable 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 office and factory premises amounted to approximately HK$3,600,000 as at 31 December 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

HK (IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

5. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost convention unless mentioned otherwise (e.g. financial assets at FVTOCI).

6. SEGMENT INFORMATION

Operating segment information

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

Geographical information

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

	2018 *HK$'000*	2017 *HK$'000*
Hong Kong	**11**	–
PRC	**1,339**	51
	1,350	51

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:

	2018 *HK$'000*	2017 *HK$'000*
PRC	**45,610**	–
Hong Kong	**31,823**	103,402
United Kingdom	**–**	5,992
Germany	**–**	2,512
The Netherlands	**–**	112
Others	**–**	966
	77,433	112,984

Information about major customers

The Group's customer base included three (2017: three) customers with whom transactions have exceeded 10% of its revenue during the years is set out as below:

	2018 *HK$'000*	2017 *HK$'000*
Customer A *(note i)*	**29,775**	N/A
Customer B *(note i)*	**17,628**	N/A
Customer C *(note i)*	**13,046**	N/A
Customer D *(note ii)*	**N/A**	59,825
Customer E *(note ii)*	**N/A**	18,641
Customer F *(note ii)*	**N/A**	18,415
	60,449	96,881

(i) These customers did not contribute over 10% of the total turnover of the Group for the year ended 31 December 2017.

(ii) These customers did not contribute over 10% of the total turnover of the Group for the year ended 31 December 2018.

7. REVENUE

The Group derives revenue from the transfer of goods and services at a point in time and over time respectively in the following major product lines:

	2018	2017
	HK$'000	*HK$'000*
Products transferred at a point in time:		
Sales of manufactured products	**21,890**	5,490
Sales on trading of electronic products, accessories and raw materials	**49,150**	107,494
	71,040	112,984
Services transferred over time:		
Provision of application software development services	**6,393**	–
	77,433	112,984

The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11.

8. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Foreign exchange gain, net	**–**	2,078
Government subsidies	**524**	144
Interest income	**8**	2
Reversal of impairment of inventories	**2,337**	–
Others	**442**	532
	3,311	2,756

9. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Imputed interest on loan from a director	**396**	396
Finance lease charges	**–**	1
	396	397

10. LOSS BEFORE TAX

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

	Notes	2018 HK$'000	2017 HK$'000
Depreciation of property, plant and equipment	*(a)*	**595**	1,259
Staff costs (including directors' emoluments)	*(b)*		
— Salaries, bonus and allowances		**5,954**	7,551
— Share-based payments		**21,016**	15,565
— Retirement benefits scheme contributions		**346**	366
		27,316	23,482
Cost of inventories sold		**67,142**	107,419
Foreign exchange loss/(gain), net		**2,435**	(2,078)
Gain on disposals of subsidiaries		**–**	(701)
Operating lease charges on premises	*(c)*	**7,639**	2,649
Auditors' remuneration		**550**	550
Impairment on property, plant and equipment		**1,304**	615
Reversal of impairment of inventories		**(2,337)**	–
Allowance for inventories		**–**	616
Allowance for trade receivables		**–**	3,321
Written off of other receivables		**551**	–
Written off of property, plant and equipment		**–**	2,098

Notes:

(a) Depreciation of property, plant and equipment of approximately HK$253,000 (2017: HK$48,000) for the year ended 31 December 2018 is included in cost of sales.

(b) Staff costs of approximately HK$1,158,000 (2017: HK$93,000) for the year ended 31 December 2018 is included in cost of sales.

(c) Operating lease charges of approximately HK$18,000 (2017: HK$29,000) for the year ended 31 December 2018 is included in cost of sales.

11. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**84**	58
Over-provision in prior years	**–**	(20)
	84	38
Current tax — PRC EIT		
Provision for the year	**649**	–
Total tax charge for the year	**733**	38

The tax rate applicable to the Group's Hong Kong subsidiaries were 16.5% (2017: 16.5%) during the year.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, one of the subsidiaries of the Company is subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK$2 million of estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. Other Hong Kong subsidiaries of the Company are subjected to Hong Kong Profits Tax at the rate of 16.5% for the year ended 31 December 2018.

Huaxia Guangzhou Network Technology Co., Ltd.* ("HXGZ"), a subsidiary of the Company established in the PRC, was qualified as a software enterprise by Guangzhou Software Industry Association on 2 August 2018 and was entitled to tax exemption for two years and thereafter to a preferential rate at half of the corporate income tax rate for three years.

The tax rate applicable to the Group's other PRC subsidiaries were 25% (2017: 25%) during the year.

* *For identification purpose*

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:

	2018	2017
	HK$'000	*HK$'000*
Loss before tax	**(34,397)**	(33,649)
Tax at the domestic tax rate of 16.5% (2017: 16.5%)	**(5,675)**	(5,552)
Tax effect of tax exemption	**(959)**	–
Tax effect of preferential tax rate	**(85)**	428
Tax effect of income that is not taxable	**–**	(243)
Tax effect of expenses that are not deductible	**5,991**	4,073
Tax effect of temporary differences not recognised	**–**	(9)
Tax effect of tax losses not recognised	**1,460**	1,867
Tax effect of utilisation of tax losses not previously recognised	**(197)**	–
Over-provision in prior years	**–**	(20)
Effect of different tax rates of subsidiaries	**198**	(506)
Income tax expense for the year	**733**	38

12. DIVIDEND

No dividend had been paid or declared by the Company during the year (2017: Nil).

13. LOSS PER SHARE

(a) Basic loss per share

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic and diluted loss per share	**(36,293)**	(33,665)

	2018	2017
Number of shares		
Issued ordinary shares at the beginning of year	**5,497,800,000**	5,227,800,000
Effect of issue of shares	**15,868,659**	79,890,411
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**5,513,668,659**	5,307,690,411

(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 2018 and 2017.

14. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**26,839**	34,553
Allowance for doubtful debts	**(3,321)**	(3,321)
	23,518	31,232

During the year ended 31 December 2018, no allowance was made for estimated irrecoverable trade receivables (2017: HK$3,321,000).

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 (2017: 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:

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**18,883**	5,473
31–60 days	**651**	14,391
61–90 days	**–**	4,172
Over 90 days	**3,984**	7,196
	23,518	31,232

As of 31 December 2018, trade receivables of approximately HK$3,984,000 (2017: HK$7,196,000) 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:

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**–**	–
31–60 days	**307**	–
Over 60 days	**3,677**	7,196
	3,984	7,196

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.

As part of the Group's credit risk management, the Group assesses the impairment for its customers based on different group of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

Lifetime ECL that has been recognised in accordance with simplified approach set out in HKFRS 9 is as follows:

	2018	2017
	HK$'000	*HK$'000*
At beginning of year	**3,321**	–
Allowance for the year	**–**	3,321
At end of the year	**3,321**	3,321

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

	2018	2017
	HK$'000	*HK$'000*
HK$	**4**	7,437
US$	**3,650**	22,854
RMB	**19,864**	941
	23,518	31,232

15. TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**–**	4,913
31–60 days	**15,455**	14,565
61–90 days	**–**	–
Over 90 days	**2,141**	10,058
	17,596	29,536

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

	2018	2017
	HK$'000	*HK$'000*
HK$	**2**	408
RMB	**15,870**	1,108
US$	**1,724**	28,020
	17,596	29,536

16. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised		
Ordinary shares of HK$0.0002 each		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	50,000,000,000	10,000
Issued		
Ordinary shares of HK$0.0002 each		
At 1 January 2017	5,227,800,000	1,046
Issue of shares on placement under general mandate	270,000,000	54
At 31 December 2017 and 1 January 2018	5,497,800,000	1,100
Ordinary shares issued to subscribe financial assets at FVTOCI	56,784,906	11
At 31 December 2018	5,554,584,906	1,111

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.

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 bi-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 2018, approximately 44% (2017: 35%) of the shares were in public hands.

EXTRACT OF THE AUDITOR'S 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 2018:

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 2018, 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 indicates that the Group incurred a loss of approximately HK$35,130,000 for the year ended 31 December 2018 and as at 31 December 2018, the Group had net current liabilities of approximately HK$5,722,000. These conditions 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, these financial statements have been prepared on a going concern basis, the validity of which depends upon the outcomes of the Group, at a level sufficient to finance its working capital requirements as detailed in note 2 to the consolidated financial statements. 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, TV set-top boxes and provision of application software development services. The Group provides one-stop services to its customers by offering design, prototyping/sampling, manufacturing, assembling and packaging of their products. The revenue of the Group for the year ended 31 December 2018 (the "**Reporting Period**") was approximately HK$77.4 million, representing an decrease of approximately 31.5% from approximately HK$113.0 million for the year ended 31 December 2017 (the "**Corresponding Period**"). The decrease in revenue was mainly due to the net effect of (1) increase of sales of manufactured products by approximately HK$16.4 million, or 298.7% and (2) decrease of sales on trading of electronic products, accessories and raw materials by approximately HK$58.3 million, or 54.3%, compared to that of the Corresponding Period.

The following table sets forth the breakdowns of the turnover of the Group for each of the years ended 31 December 2017 and 2018:

Revenue

	2018	2017
	HK$'000	*HK$'000*
Products transferred at a point in time:		
Sales of manufactured products	**21,890**	5,490
Sales on trading of electronic products, accessories and raw materials	**49,150**	107,494
	71,040	112,984
Services transferred over time:		
Provision of application software development services	**6,393**	–
	77,433	112,984

Cost of Sales and Gross Profit

The majority of the Group's cost of sales was merchandises and raw material costs. The Group's cost of sales decreased by 37.4% to approximately HK$67.2 million (2017: approximately HK$107.4 million).

The gross profit margin increased from approximately 4.9% for the Corresponding Period to approximately 13.2% for the Reporting Period. The gross profit grew from approximately HK$5.6 million for the Corresponding Period to approximately HK$10.2 million for the Reporting Period. The increase in gross profit margin and gross profit was mainly attributable to the significant increase in the revenue from the sales of manufactured products and provision of application software development services with higher gross profit, which was partially offset by a material decrease from sales on trading of electronic products with lower gross profit.

Expenses

Staff costs for the Reporting Period was approximately HK$27.3 million (2017: approximately HK$23.5 million), representing an increase of approximately HK$3.8 million as compared with the Corresponding Period, which was mainly due to the increase in share-based payment expenses during the Reporting Period.

Administrative expenses for the Reporting Period was approximately HK$46.8 million (2017: approximately HK$41.6 million), representing an increase of approximately HK$5.2 million as compared with the Corresponding Period, mainly due to the compound effect of (1) increase in staff costs of approximately HK$3.8 million as mentioned above; (2) increase of operating lease charges on offices and factory premises for approximately HK$5.0 million due to the full year effect of a newly rented office in the PRC in 2018; and (3) the absence of allowance for trade receivables of approximately HK$3.3 million during the Reporting Period.

Taxes

The income tax expense comprised Hong Kong Profits Tax and PRC EIT.

The tax rate applicable to the Group's Hong Kong subsidiaries was 16.5% (2017: 16.5%) during the year.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, one of the subsidiaries of the Company is subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK$2 million of estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. Other Hong Kong subsidiaries of the Company are subjected to Hong Kong Profits Tax at the rate of 16.5% for the year ended 31 December 2018.

華夏(廣州)網絡科技有限公司 ("**HXGZ**"), a subsidiary of the Company established in the PRC, was qualified as a software enterprise by Guangzhou Software Industry Association on 2 August 2018 and was entitled to tax exemption for two years and thereafter to a preferential rate at half of the corporate income tax rate for three years.

The tax rate applicable to the Group's other PRC subsidiaries was 25% (2017: 25%) during the year.

Loss for the Year

The Group recorded a loss of approximately HK$35.1 million for the Reporting Period (2017: approximately HK$33.7 million). The increase in loss for the year was mainly due to the net effect of (1) increase of gross profit generated in the Reporting Period, mainly contributed by the commencement of the Group's new business of provision of application software development services, amounted to approximately HK$6.4 million, and (2) increase in administrative expenses mainly resulted from increase in staff costs for approximately HK$3.8 million, mainly due to increase of recognition of share-based payments during the Reporting Period.

Liquidity, Financial Resources and Capital Structure

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 GEM of the Stock Exchange. The Group requires cash primarily for working capital needs. As at 31 December 2018, the Group had approximately HK$2.0 million in bank and cash balances (31 December 2017: approximately HK$21.3 million).

As at 31 December 2018, the net assets of the Group amounted to approximately HK$5.7 million (including non-controlling interests of approximately HK$1.2 million) (31 December 2017: approximately HK$9.8 million with non-controlling interests of approximately HK$37,000).

Taking into account the Group's future development needs, the Company and a placing agent entered into a placing agreement on 17 August 2017 to allot and issue a maximum of 270,000,000 new ordinary shares of the Company (the "**Shares**") at the subscription price of HK$0.09 per Share. The new Shares were issued under the general mandate granted to the Directors by the shareholders at the annual general meeting held on 5 May 2017. The 270,000,000 new Shares of HK$0.0002 each, credited as fully paid, were allotted and issued to not less than six placees on 14 September 2017 with net proceeds of approximately HK$23.9 million for general working capital and future business development of the Group. As at 30 June 2018, out of the net proceeds of HK$23.9 million, (i) approximately HK$9.2 million for operating expenses including but not limited to for rental expenses, remuneration of directors and employees, legal fees and other administrative expenses; (ii) approximately HK$3.3 million for settlement of directors debt; (iii) approximately HK$4.1 million for settlement of account payables; (iv) approximately HK$5.7 million for deposit payment; and (v) approximately HK$1.6 million for B2B trading platform setup fee. Details of the above placing are set out in the Company's announcements dated 17 August 2017, 31 August 2017, 14 September 2017 and 18 September 2017.

On 21 September 2018, the Company allotted and issued 56,784,906 shares of the Company to settle the consideration of approximately HK$9,029,000 for the acquisition of 11% of the entire issued share capital of Celestial Rainbow Limited by Millennium Pacific International Group Limited, a wholly-owned subsidiary of the Company pursuant to the sales and purchase agreement with the vendor dated 4 September 2018. Details of the said acquisition are set out in the announcements of the Company date 4 September 2018 and 21 September 2018.

Gearing Ratio

As at 31 December 2018 and 31 December 2017, all of our bank overdrafts and finance lease obligations have been repaid, therefore there is no gearing ratio as at 31 December 2018 and 31 December 2017.

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

OPERATION REVIEW

Outlook

The management carefully considered the market factors such as market trends, capital expenditures and development cycles when selecting the appropriate product mix to which the Group should focus and devote its resources. To diversify its income streams and counter balance the market trends, the Group will continue to further develop and expand its manufacturing business and the business of application software development.

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

Employees and Remuneration Policies

As at 31 December 2018, the Group had a total of 92 employees (2017: 25). The Group's staff costs for the year ended 31 December 2018 amounted to approximately HK$27.3 million (2017: approximately HK$23.5 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 which shall be granted under the share option scheme of the Company and subject to the performance of the grantees and the required approval. Announcement will be made as and when appropriate according to applicable rules and regulations.

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$3.26 million for the year ended 31 December 2018 (2017: approximately HK$0.06 million).

Capital commitments

The Group did not have any significant capital commitments as at 31 December 2018 (2017: 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 2018.

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

The Group has from time to time been seeking new investment opportunities in similar business of consumer electronic products. As such, on 4 September 2018, Millennium Pacific International Group Limited ("**Millennium International**"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "**Agreement**") with an independent third party, Ma Xingjin (the "**Vendor**"), pursuant to which Millennium International had conditionally agreed to acquire, and the Vendor had conditionally agreed to sell 11% of the entire issued share capital of Celestial Rainbow Limited (the "**Target Company**") at the consideration of approximately HK$9,029,000 by way of the allotment and issue of consideration shares by the Company to the Vendor (the "**Acquisition**"). Shenzhen Ampeg Technology Company Limited, an indirect wholly owned subsidiary of the Target Company, is a Hi-tech enterprise, specialized in research and development, manufacturing and marketing of smart watch and fitness tracker. On 21 September 2018, conditions precedent as set out in the Agreement had been satisfied and completion of the Acquisition took place. Upon completion, the Company became indirectly interested in 11% of the entire issued share capital of the Target Company. In order to settle the consideration in respect of the Acquisition, an aggregate of 56,784,906 shares of the Company were allotted and issued to the Vendor at the issue price of HK$0.159 each on 21 September 2018 pursuant to the Agreement. Details of the Acquisition are set out in the announcements of the Company dated 4 September 2018 and 21 September 2018.

On 24 May 2018, Shidai Jiufang (Shenzhen) Healthcare Technology Holdings Limited ("**Shidai Jiufang**"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, Futaihua Industry (Shenzhen) Company Limited ("**Futaihua**"), pursuant to which Shidai Jiufang had conditionally agreed to acquire, and Futaihua had conditionally agreed to sell 25% equity interest in Hangzhou Zheyu New Energy Automotive Service Company Limited ("**Zheyu**") at the consideration of RMB1.6 million (equivalent to approximately HK$2.0 million) in cash (the "**Acquisition**"). The Acquisition was completed in September 2018 and thus, the Company was indirectly interested in 25% equity interest in Zheyu. Details of the Acquisition are set out in the announcement of the Company dated 24 May 2018.

Charges over Assets of the Group

As at 31 December 2018 and 31 December 2017, there was no charges over assets of the Group.

Contingent liabilities

As at 31 December 2018 and 31 December 2017, there was no contingent liabilities of the Group.

Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

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 Group.

The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules as its own code and had complied with the CG Code during the year ended 31 December 2018, except for the following deviations. 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**") was both the Chairman and the Chief Executive Officer of the Company during the year 2017. In view of Mr. Tang is one of the co- founders of the Group and had been operating and managing the Group since 2004, the Board believed that it was in the best interest of the Group to have Mr. Tang taking up both roles for effective management and business development. Therefore the Directors considered that the deviation from the CG Code provision A.2.1 was appropriate in such circumstance.

On 17 January 2018, Mr. Lu Zhiming was appointed as the Chief Executive Officer of the Company. At the same time, Mr. Tang ceased to be the Chief Executive Officer. After separation of the two roles, there are clear divisions among their responsibilities with a view to achieving a balance of power and authority. The Chairman provides leadership to the Board in terms of formulating policies and strategies, and discharges those duties set out in code provision A.2 of the CG Code. The Chief Executive Officer of the Company has the overall responsibility of implementing the decisions, policies and strategies approved by the Board, and overseeing the Group's business and operations. CG Code provision A.2.1 has been complied accordingly.

Code provision C.1.2 of the CG Code provides that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 17 of the GEM Listing Rules. Although the management of the Company did not provide a regular monthly update to the members of the Board, the management keeps providing information and updates to the members of the Board as and when appropriate.

Code provision A.2.7 of the CG Code provides that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. The board meetings of the Company held during the year 2018 included the participation of the executive Directors, yet the non-executive Directors (including independent non-executive Directors) could freely provide their independent opinion to the Board. The Company will endeavor to arrange the meetings for the Chairman with the non-executive Directors (including the independent non-executive Directors) so as to comply with the requirement of Code provision A.2.7.

CG Code provision E.1.2 requires that the chairman of the board should attend the annual general meeting and CG Code provision A.6.7 requires that independent non-executive directors and other non-executive directors shall, normally speaking, attend general meetings and develop a balanced understanding of the views of shareholders. Due to conflicting business schedules, Mr. Wu Jin Sheng, a non-executive Director and Mr. Tang Wai Ting, Samson, the former Chairman, were unable to attend the annual general meeting of the Company held on 21 June 2018.

EVENTS AFTER THE REPORTING PERIOD

On 15 January 2019, the Company and Suzhou Hua Su Ya Wharton Medical Technology Company Limited* (蘇州華蘇亞沃頓醫療科技股份有限公司) ("**Hua Su Ya Wharton**") entered into a letter of intent for strategic cooperation in relation to the acquisition of shares and other cooperations of Hua Su Ya Wharton. Hua Su Ya Wharton is a listed company on National Equities Exchange and Quotation ("**NEEQ**") with stock code: 834423 in the People's Republic of China. Details are set out in the announcement of the Company dated 15 January 2019.

On 15 January 2019, the Company and Ms. Li Dongying (酈冬英女士) ("**Ms. Li**") entered into a letter of intent for strategic cooperation in relation to the acquisition of shares of Hong Kong Waldorf International Limited (香港華沃國際有限公司) ("**Waldorf International**"). It is also mentioned that Ms. Li has the right to appoint designated personnel as a general manager of Waldorf International. Waldorf International is a company incorporated in Hong Kong which is wholly-owned by Ms. Li and is engaged in trading overseas medical equipment. Ms. Li is also the controlling shareholder of Hua Su Ya Wharton. Details are set out in the announcement of the Company dated 16 January 2019.

On 5 March 2019, the Company entered into a bond subscription agreement with Radiant Assets Management Ltd ("**Radiant**") for the issue of convertible bonds in an aggregate principal amount of HK$20,000,000 with 4% interest per annum and initial conversion price of HKD0.045 ("**Initial Conversion Price**") per conversion share to Radiant. Based on the Initial Conversion Price, such convertible bonds are convertible into 444,444,444 conversion shares ("**Conversion Shares**"), representing (i) 8.0% of the existing issued share capital of the Company as at the date of the agreement; and (ii) 7.4% of issued share capital of the Company as enlarged by the issue of the Conversion Shares. The said bonds were issued on 15 March 2019 and the details are set out in the announcements of the Company dated 5 March 2019 and 15 March 2019.

With effect from 25 March 2019, (i) Mr. Tang Wai Ting, Samson has resigned as the Chairman, executive Director and compliance officer of the Company ("**Compliance Officer**"); (ii) Mr. Wu Jin Sheng has been re-designated from the Vice Chairman to the Chairman; and (iii) Mr. Liu Liang has been appointed as the Compliance Officer in place of Mr. Tang Wai Ting, Samson. Details are disclosed in the announcement of the Company dated 25 March 2019.

On 25 March 2019, Millennium Pacific International Group Limited, a direct wholly-owned subsidiary of the Company, as vendor entered into a sales and purchase agreement with an independent third party as purchaser for the sale of 100% equity interest of Central Pacific International Group Limited ("**Central Pacific**") held by the Company indirectly to the purchaser at a cash consideration of HK$1 million (the "**Disposal**"). Upon completion of the Disposal which was expected to be completed no later than the end of the first half of 2019, Central Pacific together with its subsidiaries will be excluded from the Group. As none of the applicable percentage ratios (as defined under the GEM Listing Rules) in relation to the Disposal exceeds 5%, the Disposal does not constitute a notifiable transaction of the Company and is exempted from notification and announcement requirements under the GEM Listing Rules.

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 2018 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 3 independent non-executive Directors, namely Mr. Huang Jian, Mr. Zheng Wan Zhang and Mr. Wong Tik Tung and chaired by Mr. Huang Jian 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 2018 and recommended approval to the Board.

By order of the Board
Millennium Pacific Group Holdings Limited
Wu Jin Sheng
Chairman

Hong Kong, 26 March 2019

As at the date of this announcement, the executive Directors of the Company are Mr. Liu Liang and Mr. Wang Li; the non-executive Directors of the Company are Mr. Wu Jin Sheng and Mr. Chong Yu Keung; and the independent non-executive Directors of the Company are Mr. Huang Jian, Mr. Zheng Wan Zhang and Mr. Wong Tik Tung.

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