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Millennium Pacific Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8147)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

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.*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The Board of Directors (the "**Board**") of Millennium Pacific Group Holdings Limited (the "**Company**") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2014 together with the comparative figures for the corresponding periods in 2013 as follows:

		Three months ended 30 June		**Six months ended 30 June**	
		2014	2013	**2014**	2013
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	Notes	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Turnover	*4*	**134,800**	93,194	**169,272**	164,740
Cost of sales		**(118,114)**	(81,193)	**(147,893)**	(143,644)
Gross profit		**16,686**	12,001	**21,379**	21,096
Other income	*5*	**250**	42	**257**	67
Selling and distribution costs		**(1,754)**	(1,242)	**(2,044)**	(2,076)
Administrative expenses		**(7,787)**	(5,940)	**(10,446)**	(9,002)
Profit from operation		**7,395**	4,861	**9,146**	10,085
Finance costs		**(301)**	(470)	**(531)**	(922)
Profit before tax		**7,094**	4,391	**8,615**	9,163
Income tax expense	*6*	**(1,854)**	(1,139)	**(2,234)**	(2,332)
Profit for the period	*7*	**5,240**	3,252	**6,381**	6,831
Other comprehensive income for the period after tax:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		**426**	(290)	**129**	(310)
Total comprehensive income for the period attributable to the owners of the Company		**5,666**	2,962	**6,510**	6,521
Earnings per share — basic and diluted	*9*	**HK$0.07**	HK$0.05	**HK$0.09**	HK$0.10

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2014** *HK$'000* **(unaudited)**	31 December 2013 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment	*10*	**6,230**	6,956
Current assets			
Inventories	*11*	**18,536**	25,797
Trade receivables	*12*	**50,071**	12,589
Other receivables, prepayments and deposits		**6,716**	10,561
Amount due from a director		**1,412**	777
Amount due from a corporate shareholder		**390**	–
Pledged bank deposits		**10,511**	10,503
Bank and cash balances		**12,497**	18,312
		100,133	78,539
Current liabilities			
Trade and bills payables	*13*	**42,198**	34,908
Other payables, deposits received and accrued expenses		**7,188**	7,052
Amount due to a corporate shareholder		**–**	2,793
Bank borrowings and overdrafts	*14*	**21,043**	11,737
Finance lease payables	*15*	**142**	137
Current tax liabilities		**2,204**	1,835
		72,775	58,462
Net current assets		**27,358**	20,077
Total assets less current liabilities		**33,588**	27,033
Non-current liabilities			
Finance lease payables	*15*	**275**	347
NET ASSETS		**33,313**	26,686
Capital and reserves			
Share capital	*16*	**–***	–*
Reserves		**33,313**	26,686
TOTAL EQUITY		**33,313**	26,686

* *Represents amount less than HK$1,000*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK$'000 (Note)	Statutory reserve HK$'000	Merger reserve HK$'000	Option reserve HK$'000	Foreign currency translation reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 January 2013 (audited)	10,000	53	–	–	729	3,535	14,317
Total comprehensive income and changes in equity for the period (unaudited)	–	–	–	–	(310)	6,831	6,521
At 30 June 2013 (unaudited)	10,000	53	–	–	419	10,366	20,838
At 1 January 2014 (audited)	**–***	**396**	**12,400**	**–**	**418**	**13,472**	**26,686**
Total comprehensive income for the period (unaudited)	**–**	**–**	**–**	**–**	**129**	**6,381**	**6,510**
Recognition of share based payments	**–**	**–**	**–**	**117**	**–**	**–**	**117**
Changes in equity for the period	**–**	**–**	**–**	**117**	**129**	**6,381**	**6,627**
At 30 June 2014 (unaudited)	**–***	**396**	**12,400**	**117**	**547**	**19,853**	**33,313**

* *Represents amount less than HK$1,000*

Note: The share capital balances as presented in the consolidated statements of financial position as at 30 June 2013 represent the issued and fully paid share capital of Central Pacific International Group Limited, a subsidiary of the Company of HK$10,000,000 divided into 10,000,000 ordinary shares of HK$1 each.

The Company was incorporated in the Cayman Islands as an exempted company on 10 September 2013 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each, of which 1 share was allotted and issued to an initial subscriber at par. On 10 September 2013, additional 999 Shares were allotted and issued fully paid. On 11 December 2013, the Company allotted and issued 1,000 shares (all credited as fully paid), resulting in total issued share capital of 2,000 shares of HK$0.01 each. Further details of the Company's share capital and the capitalisation issue are also set out in the paragraphs headed "Reorganisation" of the section headed "History, Development and Reorganisation" of the prospectus of the Company dated 27 June 2014 (the "**Prospectus**").

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	**(11,123)**	(5,003)
Net cash used in investing activities	**(4)**	(6)
Net cash generated from financing activities	**3,139**	479
Net decrease in cash and cash equivalents	**(7,988)**	(4,530)
Effect of foreign exchange rate changes	**117**	12
Cash and cash equivalents at beginning of the period	**6,575**	7,787
Cash and cash equivalents at end of the period	**(1,296)**	3,269
Analysis of cash and cash equivalents consist of		
Bank and cash balances	**12,497**	16,523
Bank overdrafts	**(13,793)**	(13,254)
	(1,296)	3,269

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempt company with limited liability on 10 September 2013 under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. 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 PRC. Its issued shares (the "**Shares**") have been listed on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") since 18 July 2014 (the "**Listing**").

Pursuant to a reorganisation (the "**Reorganisation**") of the Company and its subsidiaries now comprising the Group to rationalise the Group's structure in preparation for the Listing, the Company became the holding company of the Group as set out in the paragraph headed "Reorganisation" of the section headed "History, Development and Reorganisation" of the prospectus of the Company dated 27 June 2014 ("**Prospectus**").

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The condensed financial statements should be read in conjunction with the accountants' report of the Group for the years ended 31 December 2012 and 2013 as set out in the appendix 1 to the Prospectus. The accounting policies and methods of computation used in the preparation of the condensed financial statements are consistent with those used in the accountants' report of the Group for the years ended 31 December 2012 and 2013.

In current period, HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the company. There have been no significant changes to the accounting policies applied in these financial statements for the period presented as a result of these developments.

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The preparation of these unaudited condensed consolidated financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires the management to exercise their judgments in the process of applying the Group's accounting policies.

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

The Group has not early applied the new and revised HKFRSs that have been issued by HKICPA but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations.

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the combined financial statements for the year ended 31 December 2013 as set out in the accountant's report of Group of appendix I to the Prospectus.

The condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

3. SEGMENT INFORMATION

Operating segment information

The Group 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 are not presented in the geographical information as they are all located in the PRC.

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

	Three months ended 30 June		**Six months ended 30 June**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Taiwan	**38,261**	72,786	**68,820**	99,195
United Kingdom	**27,533**	10,733	**28,907**	43,707
Russia	**–**	246	**–**	4,197
Poland	**1,697**	4,915	**2,984**	11,573
Philippines	**7,375**	–	**8,083**	–
The Netherlands	**10,650**	3,650	**10,650**	3,650
Others	**49,284**	864	**49,828**	2,418
	134,800	93,194	**169,272**	164,740

4. TURNOVER

Turnover represents the invoiced values of goods sold, after allowances for returns and discounts during the reporting periods.

	Three months ended 30 June		**Six months ended 30 June**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Sales of manufactured products	**134,800**	93,194	**169,271**	162,740
Sales on trading of electronic accessories	**–**	–	**1**	2,000
	134,800	93,194	**169,272**	164,740

5. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest income	**5**	5	**10**	9
Others	**245**	37	**247**	58
	250	42	**257**	67

6. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Current tax — Hong Kong Profits Tax Provision for the period	**33**	1,139	**200**	2,332
Current tax — PRC Enterprise Income Tax Provision for the period	**1,821**	–	**2,034**	–
	1,854	1,139	**2,234**	2,332

Hong Kong Profits Tax is provided at 16.5% based on the assessable profits for the six months ended 30 June 2014. PRC Enterprise Income Tax is calculated at 25% on the assessable profit for the six months ended 30 June 2014.

7. PROFIT FOR THE PERIOD

Profit for the period as stated is arrived after charging the following items:

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Depreciation of property, plant and equipment *(Note)*	**356**	356	**707**	709
Staff costs (including Directors' emoluments)				
— Salaries, bonus and allowances	**4,025**	5,428	**6,897**	9,571
— Retirement benefits scheme contributions	**899**	772	**1,755**	1,218
	4,924	6,200	**8,652**	10,789
Cost of inventories sold	**118,114**	81,193	**147,893**	143,644
Foreign exchange loss	**349**	115	**420**	686
Operating lease charges	**775**	810	**1,502**	1,437
Auditor's remuneration	**190**	175	**380**	350
Allowance for inventories	**298**	855	**596**	1,710

Note:

Depreciation of property, plant and equipment of HK$344,000 (2013: HK$326,000) and HK$651,000 (2013: HK$485,000) for the three and six months ended 30 June 2014 is included in cost of sales.

8. DIVIDEND

The Directors do not recommend payment of any dividend for the six months ended 30 June 2014 (for the six months ended 30 June 2013: Nil)

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

Earnings for the purposes of basic and diluted earnings per share

	Three months ended 30 June		**Six months ended 30 June**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit for the period attributable to equity holders of the Company	**5,240**	3,252	**6,381**	6,831
Number of shares for the purposes of basic and diluted earnings per share				
Weighted average number of ordinary shares for the purpose of basic earnings per share*	**70,000**	70,000	**70,000**	70,000

* The calculation of basic earnings per share for the reporting periods are based on the assumption that 70,000,000 shares of the Company are in issue and issuable, comprising 2,000 shares in issue at 30 June 2014 and 69,998,000 shares to be issued pursuant to the capitalisation issue as set out in the paragraphs headed "Reorganisation" of the section headed "History, Development and Reorganisation" in the Prospectus as if the shares were outstanding throughout the entire reporting periods.

As there were no dilutive potential ordinary shares during the periods, no dilution earnings per share is presented.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment of approximately HK$16,000 (six months ended 30 June 2013: approximately HK$7,000).

11. INVENTORIES

	As at 30 June 2014 *HK$'000* (unaudited)	As at 31 December 2013 *HK$'000* (audited)
Raw materials	**13,216**	12,125
Work-in progress	**574**	7,780
Finished goods	**4,746**	5,892
	18,536	25,797

12. TRADE RECEIVABLES

	As at 30 June 2014 *HK$'000* (unaudited)	As at 31 December 2013 *HK$'000* (audited)
Trade receivables	**50,071**	12,589

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. Overdue balances are reviewed regularly by the Directors.

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

	As at 30 June 2014 *HK$'000* (unaudited)	As at 31 December 2013 *HK$'000* (audited)
0 to 30 days	**28,273**	12,468
31 to 60 days	**21,699**	60
61 to 90 days	**98**	55
Over 90 days	**1**	6
	50,071	12,589

13. TRADE AND BILLS PAYABLES

	As at 30 June 2014 *HK$'000* (unaudited)	As at 31 December 2013 *HK$'000* (audited)
Trade payables	**33,407**	28,840
Bills payables	**8,791**	6,068
	42,198	34,908

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

	As at 30 June 2014 *HK$'000* (unaudited)	As at 31 December 2013 *HK$'000* (audited)
0 to 30 days	**16,749**	15,300
31 to 60 days	**15,674**	8,531
Over 60 days	**9,775**	11,077
	42,198	34,908

14. BANK BORROWINGS AND OVERDRAFTS

	As at 30 June 2014 *HK$'000* (unaudited)	As at 31 December 2013 *HK$'000* (audited)
Import/export loans	**3,481**	–
Bank overdrafts	**13,793**	11,737
Other loan	**3,769**	–
	21,043	11,737

At 30 June 2014, the Group's import/export loans are denominated in US$ and the Group's other loan is denominated in RMB, thus exposing the Group to foreign currency risk.

The bank borrowings, overdrafts and other loan of the Group are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. The average interest rate of the Group's bank borrowings, overdrafts and other loan during the reporting periods are as follows:

	As at 30 June 2014 (unaudited)	As at 31 December 2013 (audited)
Import/export loans	**4.93%**	6.22%
Bank overdrafts	**6.53%**	6.63%
Other loan	**7.8%**	N/A

The Group's banking facilities are secured by:

(a) The Group's pledged bank deposits of HK$10,511,000 and HK$10,503,000 at 30 June 2014 and 31 December 2013 respectively;

(b) Personal guarantee of a Director as detailed in note 19(a); and

(c) At 30 June 2014 and 31 December 2013, the Group had undrawn facilities amounted to HK$16,843,000 and HK$26,195,000 respectively.

15. FINANCE LEASE PAYABLES

	Minimum lease payments		**Present value of minimum lease payments**	
	At 30 June 2014	At 31 December 2013	**At 30 June 2014**	At 31 December 2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)
Within one year	**168**	168	**142**	137
In the second to fifth years, inclusive	**294**	378	**275**	347
	462	546	**417**	484
Less: Future finance charges	**(45)**	(62)	**N/A**	N/A
Present value of lease obligations	**417**	484	**417**	484
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(142)**	(137)
Amount due for settlement after 12 months			**275**	347

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 5 years. During the reporting periods, the average effective borrowing rate was 7.42%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All finance lease payables are denominated in HK$.

The finance lease payables of the Group are secured by the lessor's title to the leased assets.

16. SHARE CAPITAL

	Six months ended 30 June 2014 Number of ordinary Shares	Six months ended 30 June 2014 Nominal Value HK$	Year ended 31 December 2013 Number of ordinary Shares	Year ended 31 December 2013 Nominal Value HK$
Ordinary Shares of HK$0.01 each				
Authorised:				
Upon incorporation *(note (a))*	**N/A**	**N/A**	38,000,000	380,000
As at 1 January 2014	**38,000,000**	**380,000**	N/A	N/A
Increase during the period *(note (b)*	**962,000,000**	**9,620,000**	–	–
As at 30 June 2014/31 December 2013	**1,000,000,000**	**10,000,000**	38,000,000	380,000
Issued and fully paid:				
Upon incorporation *(note (a))*	**N/A**	**N/A**	1	0.01
As at 1 January 2014	**2,000**	**20**	N/A	N/A
Issue of Shares *(note (c))*	**–**	**–**	1,999	19.99
As at 30 June 2014/31 December 2013	**2,000**	**20**	2,000	20

Notes:

(a) The Company was incorporated in the Cayman Islands as an exempted company on 10 September 2013 with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each, of which 1 Share was allotted and issued to an initial subscriber at par.

(b) On 20 June 2014, written resolutions of the shareholders of the Company were passed to approve, among other things, the increase in authorised share capital of the Company from HK$380,000 to HK$10,000,000 by the creation of an additional 962,000,000 Shares of HK$0.01 each.

(c) On 10 September 2013, additional 999 Shares were allotted and issued fully paid. On 11 December 2013, the Company allotted and issued 1,000 Shares (all credited as fully paid).

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 reporting periods.

The Group is not subject to any externally imposed capital requirements.

17. SHARE OPTION SCHEMES

On 20 June 2014 the Company conditionally adopted the pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") and the share option scheme (the "**Share Option Scheme**"). The purpose of the Pre-IPO Share Option Scheme and the Share Option Scheme is to provide the Group with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to participants and potential participants comprising of, among others, employees and directors of any member of the Group. On 20 June 2014, options to subscribe for an aggregate of 2,000,000 Shares had been granted to an employee under the Pre-IPO Share Option. The options have been vested on 18 July 2014. As at 20 June 2014, the fair value of the options granted was approximately HK$327,000. As at 30 June 2014, no share option was exercised, expired or lapsed, and options to subscribe for an aggregate of 2,000,000 Shares under the Pre-IPO Share Option Scheme remained outstanding.

18. CONTINGENT LIABILITIES

At 30 June 2014 and 31 December 2013, the Group did not have any contingent liabilities.

19. RELATED PARTY TRANSACTIONS

Other than those balances of related party disclosed elsewhere in the financial information, the Group had the following material transactions with its related parties during the reporting periods.

(a) Guarantee

As at 30 June 2014 and 31 December 2013, Mr. Tang Wai Ting Samson, a Director of the Company had guaranteed the banking facilities granted to certain subsidiaries within the Group to the extent of HK$115,000,000 and HK$115,000,000 respectively.

(b) Key management compensation

Key management mainly represents the Company's Directors. Remuneration for key management personnel of the Group is as follows:

	Three months ended 30 June		**Six months ended 30 June**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Salaries and allowances	**120**	120	**240**	240
Retirement benefits scheme contributions	**6**	6	**12**	12
	126	126	**252**	252

20. EVENTS AFTER THE REPORTING PERIOD

On 18 July 2014, the Company was listed on the GEM of the Stock Exchange by way of placing and completed the placing of 34,500,000 Shares at placing price of HK$1.35. The proceeds in gross was HK$46,575,000. 69,998,000 Shares were also issued for allotment and issue to the holders of issued shares whose names appear on the register of members of the Company at close of business on 20 June 2014 pursuant to the capitalisation issue as set out in the paragraphs headed "Reorganisation" of the section headed "History, Development and Reorganisation" in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the research and development, manufacture and sale of consumer electronic products, such as GPS personal navigation devices, mobile internet devices and digital video recorders. The Group is an original equipment manufacturer ("**OEM**") or original design manufacturer ("**ODM**") of its products. The Group's turnover was stable and grew slightly from approximately HK$164.7 million for the six months ended 30 June 2013 to approximately HK$169.3 million for the six months ended 30 June 2014, representing an increase of approximately 2.8%. The contribution of mobile internet devices continued to grow during the period and increased by 13.4% to approximately HK$63.7 million between the six months ended 30 June 2013 and 2014. The demand for various mobile internet devices remained strong. On the other hand, the revenue from GPS personal navigation devices dropped by 8.7% to approximately HK$95.9 million between the six months ended 30 June 2013 and 2014, mainly because a major customer for GPS personal navigation devices was replacing its old models with new models, leading to a drop in revenue in the first quarter of 2014. For GPS personal navigation devices, the Group sold approximately 259,117 units and 224,773 units for each of the six months ended 30 June 2013 and 2014 respectively. For each of the six months ended 30 June 2013 and 2014, the Group sold approximately 70,487 units and 90,459 units of mobile internet devices respectively. The following table sets forth the breakdowns of the turnover of the Group by product categories for each of the six months ended 30 June 2013 and 2014:

	For the six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
GPS personal navigation devices	**95,916**	105,058
Mobile internet devices *(note)*	**63,704**	56,198
Digital video recorders	**–**	2,798
Accessories and others	**9,652**	686
	169,272	164,740

Note: including tablets and ebooks

Outlook

To diversify the Group's business and reduce its reliance on major customers, the Group is developing several new products, including automotive tablet, medical use tablet and all-in-one for point-of-sales stores and home entertainment tablet. The Group has also entered into several non-binding memoranda of understanding with: (a) a new potential customer from South Korea for the development of automotive tablet; (b) a new customer from the Philippines for the development of mobile internet devices; (c) a new potential customer from the United States of America for the development of medical use tablets; and (d) a customer from the Netherlands for the manufacture/develop/sale of various GPS personal navigation devices or digital video recorder products.

The Group also co-developed new tablets specialised for medical industry doctor use with a customer in the United States of America. The 13.3 inch tablet have specialised software to connect through WiFi to hospital server to retrieve patients' record, keep track of medicine storage and applications. The screen also serves as an input screen for doctor to record patients' symptoms and course of medication. The development project started in October 2013 and the Group has already launched this product.

FINANCIAL REVIEW

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 grew in line with the turnover by 3.0% to approximately HK$147.9 million between the six months ended 30 June 2013 and 2014. The gross profit margin remained stable at approximately 12.8% and 12.6% for the six months ended 30 June 2013 and 2014 respectively. The gross profit also remained stable at approximately HK$21.1 million and HK$21.4 million for the six months ended 30 June 2013 and 2014 respectively.

Expenses

Staff costs for the first half year of 2014 was approximately HK$8.7 million (six months ended 30 June 2013: approximately HK$10.8 million), representing a decrease of approximately HK$2.1 million as compared with the last year, which was mainly due to the drop in average headcount during the period.

Administrative expenses for the first half year of 2014 was approximately HK$10.4 million (six months ended 30 June 2013: approximately HK$9.0 million), representing an increase of approximately HK$1.4 million of last year, mainly due to the Listing expenses of approximately HK$2.8 million incurred for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

Profit for the Period

The profit for the six months ended 30 June 2014 was approximately HK$6.4 million. For the six months ended 30 June 2013, the profit for the period was approximately HK$6.8 million. The slight decrease was mainly due to the Listing expenses of approximately HK$2.8 million incurred for the six months ended 30 June 2014.

Risk relating to the Group and its business

Reliance on a few key customers

Aggregate sales revenue from our top five customers amounted to approximately HK$135.7 million for the six months ended 30 June 2014 (six months ended 30 June 2013: HK$153.5 million), representing approximately 80.2% of the Group's total sales revenue for the period (six months ended 30 June 2013: 93.2%). The Group's sales to its largest customer for the six months ended 30 June 2014 amounted to approximately HK$67.9 million (six months ended 30 June 2013: HK$83.9 million), representing approximately 40.1% of the Group's total sales revenue (six months ended 30 June 2013: 50.9%). The Group's sales to the second largest customer amounted to approximately HK$28.1 million (six months ended 30 June 2013: HK$43.7 million) representing approximately 16.6% of the Group's total sales revenue for the period (six months ended 30 June 2013: 26.5%).

The two largest customers are an independent third party (as defined in GEM Listing Rules), principally engaged in sales of electronic products. The Group has established the business relationship with the two largest customers since 2009 and 2011 respectively.

The business with the Group's customers has been, and is expected to continue to be, conducted on the basis of actual purchase orders we receive from time to time. There is no assurance that the Group's major customers will continue to do business with the Group at the same, decreased or increased levels or at all. If one or more of the major customers were to cease to conduct business with the Group and it is unable to expand its business with existing customers or attract new customers, the Group may experience slow growth, no growth or negative growth at all and the Group's business, financial condition and results of operations would be materially and adversely affected.

Liquidity, Financial Resources and Capital Structure

Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. As at 30 June 2014, the Group had various bank borrowings and overdrafts of approximately HK$21.0 million (31 December 2013: HK$11.7 million). The Group requires cash primarily for working capital needs. As at 30 June 2014, the Group had approximately HK$12.5 million in bank and cash balances (31 December 2013: HK$18.3 million).

On 18 July 2014, the Company was listed on the GEM of the Stock Exchange by way of placing and completed the placing of 34,500,000 Shares at placing price of HK$1.35. The actual net proceeds from the issue of new shares of the Company under the placing were approximately HK$30.3 million. The Directors believe that with the new capital from the placing of Shares on the GEM, the Group is in a healthy financial position to expand its core business and to achieve its business objectives.

Capital Expenditure

The Group purchased property, plant and equipment amounting to approximately HK$16,000 for the six months ended 30 June 2014 (six months ended 30 June 2013: approximately HK$7,000).

Capital Commitments

The Group did not have any significant capital commitments as at 30 June 2014 (as at 31 December 2013: Nil).

Gearing Ratio

Due to the net profit generated during the six months ended 30 June 2014, the Group's equity increased to approximately HK$33.3 million as at 30 June 2014. The amounts bank borrowings and overdrafts also increased from approximately HK$11.7 million as at 31 December 2013 to approximately HK$21.0 million as at 30 June 2014, the Group's gearing ratio therefore increased from approximately 45.8% as at 31 December 2013 to approximately 64.6% as at 30 June 2014.

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 obligation.

Foreign Currency Risk

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

The functional currency 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 currency of respective Group entities such as United Stated 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 its foreign exchange exposure during the six months ended 30 June 2014.

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

Save for those disclosed in the section headed "Business Objectives and Strategies" in the Prospectus and save for the Reorganisation, there were neither significant investments held as at 30 June 2014 nor material acquisitions and disposals of subsidiaries during the six months ended 30 June 2014. 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 30 June 2014, the Group had pledged deposits of approximately HK$10.5 million (31 December 2013: HK$10.5 million). These deposits are pledged to banks to secure banking facilities granted to the Group. The Group also had a motor vehicle acquired under finance leases. As at 30 June 2014 the carrying value of finance leases payables amounted to approximately HK$0.4 million (31 December 2013: HK$0.5 million).

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

Employees and Remuneration Policies

As at 30 June 2014, the Group had a total of 383 employees. The Group's staff costs for the six months ended 30 June 2014 amounted to approximately HK$8.7 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 training and share option.

In Hong Kong, the Group's employees have participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). In the PRC, the Group'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 fund prescribed by the Regulations on the Administration of Housing Fund (住房公積金管理條例). All PRC based employees have the right to participate in the social insurance and housing provident fund schemes.

Share Option Schemes

The Company adopted the Pre-IPO Share Option scheme on 20 June 2014 which was valid and effective for a period commencing from 20 June 2014 on which the Pre-IPO Share Option Scheme is conditionally adopted until 9:00 a.m. on the day immediately prior to the Listing Date (i.e. 17 July 2014), after which no further options will be issued, but the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme. The principal terms of the Pre-IPO Share Option Scheme are summarised in the paragraph headed "Statutory and General Information — Pre-IPO Share Option Scheme" in Appendix IV to the Prospectus.

For the six months ended 30 June 2014, options to subscribe for an aggregate of 2,000,000 Shares had been granted to an employee under the Pre-IPO Share Option Scheme. As at 30 June 2014, no share option was exercised, expired or lapsed, and options to subscribe for an aggregate of 2,000,000 Shares under the Pre-IPO Share Option Scheme remained outstanding.

The Company has adopted the Share Option Scheme on 20 June 2014 which will remain in force for a period of 10 years from the effective date of the Scheme and will expire on 19 July 2024. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Statutory and General Information — Share Option Scheme" in Appendix IV to the Prospectus.

For the six months ended 30 June 2014, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

Comparison of Business Objectives with Actual Business Progress

Since the latest practicable date as defined in the Prospectus, i.e. 21 June 2014 ("**LPD**"), up to 30 June 2014, no material progress has been made in respect of the business objectives as set out in the Prospectus. An analysis comparing the business objectives as set out in the Prospectus for the period from the LPD to 31 December 2014 (the "**Review Period**") with the Group's actual business progress up to 30 June 2014 is set out as follows:

Business Objective for the Review Period	**Actual Business Progress up to 30 June 2014**
Expanding the production capacity and scale through the acquisition of additional SMT production facilities	
— determine the specification of additional SMT production facilities	Not yet commenced
Strengthening and expanding the research and development team	
— formulate an research and development improvement plan and set out the detailed steps, measures and scope of engineering improvement programme	Not yet commenced
— recruit employees with engineering expertise in the PRC	Not yet commenced
— acquire equipment to enhance the operating system for both GPS personal navigation devices and mobile internet devices	Not yet commenced
Improving the information technology system	
— acquire a new ERP system	Not yet commenced
— recruit personnels with expertise in information technology for the operation and maintenance of the new ERP system	Not yet commenced
— acquire computers and servers to support the new ERP system	Not yet commenced

Use of Proceeds from the Listing

The actual net proceeds from the issue of new shares of the Company under the placing as set out in the Prospectus were approximately HK$30.3 million, which was different from the estimated net proceeds of approximately HK$34.8 million (estimated on the assumption that the placing price would be the mid-point of the stated range as stated in the Prospectus). The Group adjusted the use of proceeds in the same manner and in the same proportion as shown in the Prospectus, and approximately HK$12.4 million, HK$8.0 million, HK$3.3 million, HK$3.6 million and HK$3.0 million were adjusted for i) repayment of bank borrowings; ii) expanding the production capacity and scale through the acquisition of additional SMT production facilities; iii) strengthening and expanding the research and development team; iv) improving the information technology system; and v) working capital respectively. The Directors had evaluated the Group's business plan and considered that, as at the date of this announcement, no modification of the business plan and future plans regarding the use of proceeds as described in the Prospectus was required. During the period between the LPD and 30 June 2014, there was no usage of the net proceeds from the Listing. Since the successful Listing, the unused net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong.

CORPORATE GOVERNANCE PRACTICES

The Company endeavours to maintain high standard of corporate governance for the enhancement of shareholders' value and provide transparency, accountability and independence. Except for the deviation from code provision A.2.1, the Company has complied with the required code provisions set out in the Code on Corporate Governance Practices (the "**Code**") contained in Appendix 15 of the GEM Listing Rules effective from 18 July 2014 (the "**Listing Date**") upon the listing of the Company and had complied with the Code since then and up to the date of this announcement.

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.

Compliance with the Required Standard of Dealings in Securities Transactions by Directors

The Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company effective from 18 July 2014 upon the Listing. Upon the Group's specific enquiry, each Director confirmed that, he/she had fully complied with the required standard of dealings and there was no event of non-compliance since its effective date up to the date of this announcement.

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

The Company's shares were listed on the GEM of the Stock Exchange on 18 July 2014. As at 18 July 2014, the interest and short position of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 of the GEM Listing Rules were as follows:

Long positions
Ordinary share of the Company

Name	Capacity and nature of interest	Number of shares *(note 1)*	Percentage of the Company's issued share capital
Mr. Tang *(note 2)*	Interest of controlled corporation	45,900,000 (L)	43.9%
Ms. Chan Kai Hei ("**Mrs. Tang**") *(note 2)*	Interest of spouse	45,900,000 (L)	43.9%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.

2. As CPIT Investments Limited is beneficially owned as to 99% by Mr. Tang and 1% by Mrs. Tang, the spouse of Mr. Tang, Mr. Tang is deemed to be interested in the 300,000,000 Shares held by CPIT Investments Limited under the SFO. Mrs. Tang, being the spouse of Mr. Tang, is deemed to be interested in all the Shares that Mr. Tang is interested in. Accordingly, each of Mr. Tang and Mrs. Tang is deemed to be interested in the Shares held by CPIT Investments Limited under the SFO.

Save as disclosed above, as at 18 July 2014, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

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

The Company's shares were listed on the GEM of the Stock Exchange on 18 July 2014. As at 18 July 2014, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions
Ordinary shares of the Company

Name	**Capacity and nature of interest**	**Number of shares** *(note 1)*	**Percentage of the Company's issued share capital**
CPIT Investments Limited *(note 2)*	Beneficial owner	45,900,000 (L)	43.9%
Mr. Kor Sing Mung Michael *(note 3)*	Interest of controlled corporation	24,100,000 (L)	23.1%
MK Investments Limited *(note 3)*	Interest of controlled corporation	24,100,000 (L)	23.1%
Seize Minute Limited *(note 3)*	Beneficial owner	24,100,000 (L)	23.1%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.

2. As CPIT Investments Limited is beneficially owned as to 99% by Mr. Tang and 1% by Mrs. Tang, the spouse of Mr. Tang, Mr. Tang is deemed to be interested in the Shares held by CPIT Investments Limited under the SFO. Mrs. Tang, being the spouse of Mr. Tang, is deemed to be interested in all the Shares that Mr. Tang is interested in. Accordingly, each of Mr. Tang and Mrs. Tang is deemed to be interested in the Shares held by CPIT Investments Limited under the SFO.

3. Seize Minute Limited is beneficially owned as to 100% by MK Investments Limited. MK Investments Limited is wholly-owned by Mr. Kor Sing Mung Michael,. Accordingly, Mr. Kor Sing Mung Michael, and MK Investments Limited are deemed to be interested in the Shares held by Seize Minute Limited under the SFO.

Save as disclosed above, as at 18 July 2014, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under section 336 of the SFO.

Purchases, Sales 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 six months ended 30 June 2014.

Competing Interests

The Directors confirm that none of the Controlling Shareholders or Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business.

Audit Committee

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee comprises four independent non-executive Directors, namely Ms. Eugenia Yang (Chairlady of the audit committee), Ms. Chan Sze Man, Mr. Lee Wai Hung and Mr. Ng Ka Chung.

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2014 has been reviewed by the audit committee. The audit committee is of the opinion that such financial information complies with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosure have been made.

Interests of the Compliance Adviser

As notified by the compliance adviser of the Company, Ample Capital Limited, as at 30 June 2014, except for (i) Ample Capital Limited's participation as the sponsor and its affiliated company Ample Orient Capital Limited as one of the joint lead managers in relation to the Listing; and (ii) the compliance adviser agreement entered into between the Company and Ample Capital Limited dated 9 April 2014, neither Ample Capital Limited or its directors, employees or close associates (as defined in the GEM Listing Rules) had any interest in relation to the Group.

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

Hong Kong, 13 August 2014

As at the date of this announcement, the executive directors of the Company are Mr. Tang Wai Ting, Samson, Ms. Chan Kai Hei and Mr. Chiu Chen Hsun; 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 remain on the "Latest Company Announcement" page of the GEM website at www.hkgem.com for at least 7 days from the date of this posting and on the website of the Company at www.cpit.com.hk.