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Millennium Pacific Group Holdings Limited
匯思太平洋集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8147)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

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.

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*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.*

UNAUDITED 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 three and six months ended 30 June 2017 together with the unaudited and audited comparative figures for the corresponding periods in 2016 as follows:

		Three months ended 30 June		**Six months ended 30 June**	
		2017	2016	**2017**	2016
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	*5*	**33,548**	13,392	**47,974**	22,437
Cost of sales		**(32,566)**	(11,773)	**(46,395)**	(19,977)
Gross profit		**982**	1,619	**1,579**	2,460
Other income	*6*	**489**	166	**1,121**	295
Selling and distribution costs		**(89)**	(468)	**(494)**	(1,502)
Administrative expenses		**(4,899)**	(12,467)	**(9,136)**	(18,570)
Loss from operation		**(3,517)**	(11,150)	**(6,930)**	(17,317)
Finance costs	*7*	**(42)**	(3)	**(199)**	(7)
Loss before tax		**(3,559)**	(11,153)	**(7,129)**	(17,324)
Income tax expense	*8*	**–**	–	**–**	(17)
Loss for the period	*9*	**(3,559)**	(11,153)	**(7,129)**	(17,341)
Other comprehensive income for the period net of tax:					
Item that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		**(508)**	202	**(637)**	461
Total comprehensive income for the period attributable to the owners of the Company		**(4,067)**	(10,951)	**(7,766)**	(16,880)
Loss per share (cents)					
— Basic	*11*	**(0.07)**	(0.21)	**(0.14)**	(0.33)
— Diluted	*11*	**(0.07)**	(0.21)	**(0.14)**	(0.33)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2017** *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment	*12*	**3,161**	3,890
Current assets			
Inventories		**2,232**	3,044
Trade receivables	*13*	**19,320**	4,620
Prepayments and deposits		**1,479**	1,966
Current tax assets		**6**	11
Bank and cash balances		**6,312**	7,212
		29,349	16,853
Current liabilities			
Trade payables	*14*	**18,248**	1,687
Other payables, deposits received and accrued expenses		**4,726**	6,131
Amount due to a director		**5,143**	683
Finance lease payables		**–**	41
Bank overdrafts		**–**	50
Current tax liabilities		**20**	209
		28,137	8,801
Net current assets		**1,212**	8,052
Total assets less current liabilities		**4,373**	11,942
Non-current liabilities			
Amount due to a director		**6,008**	5,811
(NET LIABILITIES)/NET ASSETS		**(1,635)**	6,131
Capital and reserves			
Share capital	*15*	**1,046**	1,046
Reserves		**(2,681)**	5,085
(CAPITAL DEFICIENCY)/TOTAL EQUITY		**(1,635)**	6,131

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$'000*	Share premium *HK$'000*	Statutory reserve *HK$'000*	Merger reserve *HK$'000*	Option reserve *HK$'000*	Foreign currency translation reserve *HK$'000*	Accumulated losses *HK$'000*	Total reserve *HK$'000*	Total equity/ (Capital deficiency) *HK$'000*
Balance at 1 January 2016 (audited)	1,046	38,747	766	12,400	317	974	(6,037)	47,167	48,213
Release upon lapse of share option (unaudited)	–	–	–	–	(317)	–	317	–	–
Loss and total comprehensive income for the period (unaudited)	–	–	–	–	–	461	(17,341)	(16,880)	(16,880)
Balance at 30 June 2016 (unaudited)	1,046	38,747	766	12,400	–	1,435	(23,061)	30,287	31,333
Balance at 1 January 2017 (audited)	**1,046**	**38,747**	**766**	**12,400**	**–**	**2,986**	**(49,814)**	**5,085**	**6,131**
Loss and total comprehensive income for the period (unaudited)	**–**	**–**	**–**	**–**	**–**	**(637)**	**(7,129)**	**(7,766)**	**(7,766)**
Balance at 30 June 2017 (unaudited)	**1,046**	**38,747**	**766**	**12,400**	**–**	**2,349**	**(56,943)**	**(2,681)**	**(1,635)**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	**(5,770)**	(9,082)
Net cash used in investing activities	**(13)**	(1,789)
Net cash from/(used in) financing activities	**5,607**	(251)
Net decrease in cash and cash equivalents	**(176)**	(11,122)
Effect of foreign exchange rate changes	**(674)**	(564)
Cash and cash equivalents at beginning of the period	**7,162**	32,985
Cash and cash equivalents at end of the period	**6,312**	21,299
Analysis of cash and cash equivalents		
Bank and cash balances	**6,312**	21,299

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 under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 10 September 2013. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is located at B3 YuCan Industrial Park, Lanzhu West Road, Export Processing Zone, Pingshan New District, Shenzhen, the People's Republic of China (the "**PRC**"). The Company's shares are listed on the Growth Enterprise Market (the "**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 18 July 2014 (the "**Listing**").

The Company is an investment holding company. The principal activities of the Company's subsidiaries are research and development, manufacture and sale of electronic devices.

2. GOING CONCERN

The Group incurred a loss attributable to the owners of the Company of approximately HK$7,129,000 for the six months ended 30 June 2017 and as at 30 June 2017, the Company had net liabilities of approximately HK$1,635,000. In preparing these condensed 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.

These condensed consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon the outcomes of the Group to (i) attain profitable and positive cash flows from operations; and (ii) obtain external source of funding in the immediate and longer term, at a level sufficient to finance the working capital requirements of the Group. On 20 March 2017, the Company announced that the Company and a placing agent (the "**Placing Agent**") entered into a placing agreement (the "**Placing Agreement**") on 16 March 2017, pursuant to which the Company agreed to appoint the Placing Agent to procure placees to subscribe for the 4.0% coupon unlisted bonds with a term of 12 months, to be issued in tranches by the Company in an aggregate principal amount up to HK$30,000,000 (the "**Bonds**"). Up to the approval date on these condensed consolidated financial statements, the placing of Bonds has yet been completed which creates an uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the Directors considered that it is appropriate to adopt the going concern in preparing these condensed consolidated financial statements.

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

- in the event the placing of Bonds was failed to complete, Martford Limited, the controlling shareholder of the Company has agreed to provide interest-free and unsecured financial support to the extent of HK$15,000,000 to the Group for the next twelve months to meet its financial obligations as they fall due;

- negotiating with bankers for obtaining new banking facilities;

- the Directors of the Company have been taking various cost control measures to tighten the costs of operations;

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

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

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

3. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

These unaudited condensed consolidated financial statements have been prepared under the historical cost convention and should be read in conjunction with the 2016 annual financial statements. The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the annual financial statements of the Group for the year ended 31 December 2016 as set out in the 2016 annual report of the Company.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all application Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations issued by the HKICPA that are relevant to its operation and effective for its accounting period beginning on 1 January 2017. The adoption of these new and revised HKFRSs had no significant effects on the results of the Group for the current and prior periods.

The Group has not yet applied the new and revised HKFRSs that have been issued but not yet effective. The Group is in the process of assessing, where applicable, the potential impact of these new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact to the Group's results of operation.

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

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

4. SEGMENT INFORMATION

Operating segment information

The Group is engaged in the single type business of research, development, manufacture and sale of electronic devices. Accordingly, no operating segment information is presented.

Geographical information

Non-current assets of the Group is presented based on the following geographical location:

	As at 30 June 2017	As at 31 December 2016
	HK$'000	*HK$'000*
Hong Kong	**1,039**	1,250
PRC	**2,122**	2,640
	3,161	3,890

5. REVENUE

Revenue 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**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Sales of manufactured products	**–**	11,527	**4,401**	19,523
Sales on trading of electronic products, accessories and raw materials	**33,548**	1,865	**43,573**	2,914
	33,548	13,392	**47,974**	22,437

6. OTHER INCOME

	Three months ended 30 June		**Six months ended 30 June**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest income	**–**	6	**1**	7
Foreign exchange gain, net	**483**	–	**705**	–
Others	**6**	160	**415**	288
	489	166	**1,121**	295

7. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Finance lease charges	**–**	3	**–**	7
Imputed interest on loan from a director	**42**	–	**199**	–
	42	3	**199**	7

8. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Current tax — Hong Kong Profits Tax Provision for the period	**–**	–	**–**	17

Hong Kong Profits Tax is provided at 16.5% (three and six months ended 30 June 2016: 16.5%) based on the assessable profits of the Group's entities operate in Hong Kong. No provision for Hong Kong Profits Tax has been made for the three and six months ended 30 June 2017 as the Group's Hong Kong subsidiaries did not generate any assessable profit for the three and six months ended 30 June 2017.

No provision for PRC Enterprise Income Tax is required as the Group's PRC subsidiaries did not generate any assessable profit for the three and six months ended 30 June 2017 (three and six months ended 30 June 2016: Nil).

9. LOSS FOR THE PERIOD

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017	2016	**2017**	2016
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Depreciation of property, plant and equipment	*(a)*	**364**	437	**780**	827
Staff costs (including Directors' emoluments)	*(b)*				
— Salaries, bonus and allowances		**1,853**	4,576	**4,167**	8,358
— Retirement benefits scheme contributions		**118**	453	**317**	830
		1,971	5,029	**4,484**	9,188
Cost of inventories sold		**32,566**	11,773	**46,395**	19,977
Foreign exchange loss, net		**–**	302	**–**	974
Operating lease charges in respect of premises	*(c)*	**344**	994	**504**	1,716
Auditor's remuneration		**234**	175	**373**	300
Allowance for inventories		**497**	5,716	**497**	5,716

Notes:

(a) Depreciation of property, plant and equipment of approximately Nil (2016: HK$169,000) and HK$46,000 (2016: HK$280,000) for the three and six months ended 30 June 2017 respectively is included in cost of sales.

(b) Staff costs of approximately Nil (2016: HK$656,000) and HK$85,000 (2016: HK$1,145,000) for the three and six months ended 30 June 2017 respectively is included in cost of sales.

(c) Operating lease charges in respect of premises of approximately Nil (2016: HK$223,000) and HK$27,000 (2016: HK$378,000) for the three and six months ended 30 June 2017 respectively is included in cost of sales.

10. DIVIDEND

No dividend was declared or paid during the three and six months ended 30 June 2017 (Three and six months ended 30 June 2016: Nil).

11. LOSS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	**2017**	2016
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Loss				
Loss for the purpose of calculating basic and diluted loss per share *(HK$'000)*	**(3,559)**	(11,153)	**(7,129)**	(17,341)
Number of shares				
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**5,227,800,000**	5,227,800,000	**5,227,800,000**	5,227,800,000

Diluted loss per share

The effect of all potential ordinary shares of the Company in respect of share options for the three and six months ended 30 June 2016 are anti-dilutive.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment of approximately HK$14,000 (six months ended 30 June 2016: HK$1.3 million).

13. TRADE RECEIVABLES

	As at 30 June 2017	As at 31 December 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**19,320**	4,620

The Group's trading terms with its major customers is either on credit or to provide the Group with irrevocable 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 receivables, based on the invoice date, and net of allowance, is as follows:

	As at 30 June 2017 *HK$'000* **(unaudited)**	As at 31 December 2016 *HK$'000* (audited)
0 to 30 days	**15,395**	591
31 to 60 days	**52**	263
61 to 90 days	**81**	123
Over 90 days	**3,792**	3,643
	19,320	4,620

14. TRADE PAYABLES

	As at 30 June 2017 *HK$'000* **(unaudited)**	As at 31 December 2016 *HK$'000* (audited)
Trade payables	**18,248**	1,687

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

	As at 30 June 2017 *HK$'000* **(unaudited)**	As at 31 December 2016 *HK$'000* (audited)
0 to 30 days	**18,128**	1,118
31 to 60 days	**–**	7
Over 60 days	**120**	562
	18,248	1,687

15. SHARE CAPITAL

	Number of ordinary shares	
	Number of share of HK$0.0002 each	*HK$'000*
Authorised		
As at 31 December 2016 (audited), 1 January 2017 and 30 June 2017 (unaudited)	50,000,000,000	10,000
Issued		
As at 31 December 2016 (audited), 1 January 2017 and 30 June 2017 (unaudited)	5,227,800,000	1,046

16. 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 date of the Listing (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 of the Company dated 27 June 2014 ("**Prospectus**").

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.

17. CONTINGENT LIABILITIES

At 30 June 2017, the Group did not have any contingent liabilities.

18. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with its related parties during the reporting periods.

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**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Salaries and allowances	**600**	621	**1,188**	1,192
Retirement benefits scheme contributions	**8**	12	**15**	24
	608	633	**1,203**	1,216

19. EVENTS AFTER THE REPORTING PERIOD

(a) Close of mandatory unconditional cash offer by Haitong International Securities Company Limited on behalf of Martford Limited (the "Offeror") to acquire all the issued shares in the Company and results of the offer (the "Offer")

As at 4:00 p.m. on 5 July 2017, being the latest time and date for the acceptance of the Offer as set out in the composite document dated 14 June 2017, the Offeror received valid acceptances in respect of a total of 398,010,000 shares under the Offer, representing approximately 7.61% of the issued share capital of the Company. Details of the above are set out in the joint announcement of the Company and the Offeror dated 5 July 2017.

(b) Appointment of non-executive Director

On 23 June 2017, Mr. Liang Yujie had been appointed as a non-executive Director and vice-chairman of the Company. Details of the above are set out in the joint announcements of the Company and the Offeror dated 23 June 2017 and 27 June 2017.

(c) Change of Directors and composition of board committees; appointment of company secretary and change of authorized representative

On 17 July 2017, Mr. Mak Hing Keung, Thomas had resigned as an executive Director and authorized representative of the Company; Mr. Au Hoi Fung and Mr. Tse Yee Hin, Tony had resigned as non-executive Directors of the Company; and Ms. Chan Sze Man, Mr. Lee Wai Hung, Mr. Ng Ka Chung and Ms. Eugenia Yang had resigned as independent non-executive Directors of the Company. On 17 July 2017, Mr. Zheng Si Rong and Mr. Wang Li had been appointed as executive Directors of the Company; Mr. Wu Jin Sheng and Mr. Chong Yu Keung had been appointed as non-executive Directors of the Company; Mr. Huang Jian, Mr. Chan Hin Hang, Mr. Zheng Wan Zhang and Mr. Wong Tik Tung had been appointed as independent non-executive Directors of the Company; and Ms. Ngan Wai Kam, Sharon had been appointed as the company secretary and authorized representative of the Company. Details of the above are set out in the Company's announcement dated 17 July 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is principally engaged in the research and development, manufacture and sale of consumer electronic products, such as fitness bracelets, GPS personal navigation devices, mobile internet devices and TV set-top boxes. The Group provides one-stop services to our customers by offering design, prototyping/sampling, manufacturing, assembling and packaging of their products. Revenue of the Group for the six months ended 30 June 2017 was approximately HK$47.9 million, representing an increase of approximately 113.8% from approximately HK$22.4 million for the six months ended 30 June 2016. The increase in revenue was mainly contributed by our trading platform of fitness bracelets, generating revenue of approximately HK$43.0 million for the six months ended 30 June 2017 (six months ended 30 June 2016: approximately HK$1.0 million).

Outlook

Although the global economy has recovered moderately and stabilized gradually, it is still facing material uncertainty and risks of downturn in the first half year of 2017. The industry of electronics products is becoming increasingly competitive. Even the leading brands in the market suffered from intense pressure in declined profit margin. All of such factors led the Group to record an increased sales revenue but also a net loss for the six months ended 30 June 2017.

Looking forward, the Group will remain committed to the development of our business of electronics products. In the meantime, the Group is also actively seeking other new investment opportunities with growth potential. In order to further consolidate the Group's financial position and prepare for future developments, the management continues to seek suitable financing opportunities.

FINANCIAL REVIEW

Cost of Sales and Gross Profit

The majority of the Group's cost of sales was costs of merchandises and raw materials. The Group's cost of sales increased by 132.2% to approximately HK$46.4 million between the six months ended 30 June 2016 and 2017. The gross profit margin decreased from approximately 11.0% for the six months ended 30 June 2016 to approximately 3.3% for the six months ended 30 June 2017. The gross profit also dropped from approximately HK$2.5 million for the six months ended 30 June 2016 to approximately HK$1.6 million for the six months ended 30 June 2017. The decrease in gross profit margin and gross profit was mainly due to the gross profit margin on trading of electronic products is lower than that of manufactured products. During the six months ended 30 June 2017, revenue from trading of electronic products represents 90.8% (2016: 13.0%) of the Group's total revenue.

Expenses

Staff costs for the six months ended 30 June 2017 was approximately HK$4.5 million (2016: approximately HK$9.2 million), representing a decrease of approximately HK$4.7 million as compared with that of last year, which was mainly due to the drop in average headcount during the period.

Administrative expenses for the six months ended 30 June 2017 was approximately HK$9.1 million (2016: approximately HK$18.6 million), representing a decrease of approximately HK$9.5 million as compared with that of last year, which was mainly due to the decrease in staff costs and operating lease charges on premises in respect of offices in Hong Kong and PRC.

Loss for the Period

The Group incurred a net loss of approximately HK$7.1 million during the six months ended 30 June 2017, as compared with a net loss of approximately HK$17.3 million for the six months ended 30 June 2016. The decrease of net loss was primarily due to drop in administrative expenses in particular drop in staff costs and operating lease charges on premises in respect of offices in Hong Kong and PRC.

The Board does not recommend the payment of dividends for the six months ended 30 June 2017.

Liquidity, Financial Resources and Capital Structure

Historically, the Group has funded its liquidity and capital requirements primarily through operating cash flows, bank borrowings and funds from the listing of the Company's shares on GEM of the Stock Exchange. The Group requires cash primarily for working capital needs. As at 30 June 2017, the Group had bank and cash balances of approximately HK$6.3 million (31 December 2016: approximately HK$7.2 million). The Board kept monitoring the cash level of the Group and would consider different ways of financing in order to ensure the sufficiency of cash.

The Group incurred a loss attributable to owners of the Company of approximately HK$7.1 million and as at 30 June 2017, the Group had a net liabilities of approximately HK$1.6 million. These conditions indicate the existence of an uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. In order to strengthen the Group's capital base and liquidity in the foreseeable future, the Group is trying to take various measures, including but not limited to issuance of bonds, obtaining additional financial assistance from shareholders/Directors, negotiating new banking facilities and carrying out further cost controls.

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

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

Capital Expenditure

The Group purchased property, plant and equipment amounting to approximately HK$14,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: approximately HK$1.3 million).

Capital Commitments

The Group did not have any significant capital commitments as at 30 June 2017 (as at 31 December 2016: Nil).

Debt to Equity Ratio

Due to the net loss incurred during the six months ended 30 June 2017, the Group's equity dropped from approximately HK$6.1 million as at 31 December 2016 to capital deficiency of approximately HK$1.6 million as at 30 June 2017. As at 30 June 2017, all of our bank borrowings and overdrafts had been repaid, therefore the debt to equity dropped from approximately 1.5% as at 31 December 2016 to approximately zero as at 30 June 2017.

Note: Debt to equity ratio is calculated as the total interest-bearing debts divided by total equity.

Foreign Currency Risk

The functional currency of the Group's entities are principally denominated in either HK$ or 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 will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

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 2017.

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

There were neither significant investments held as at 30 June 2017 nor material acquisitions and disposals of subsidiaries during the six months ended 30 June 2017. There is no plan for material investments or capital assets as at the date of this announcement.

Charges over Assets of the Group

The Group had a motor vehicle acquired under finance leases arrangement and which had been fully repaid as at 30 June 2017. Other than that the Group had no other finance leases arrangement as at 30 June 2017 (31 December 2016: HK$41,000).

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

Employees and Remuneration Policies

As at 30 June 2017, the Group had a total of 35 employees. The Group's staff costs for the six months ended 30 June 2017 amounted to approximately HK$4.5 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 training and share option.

In Hong Kong, the Group has 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 has 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 date of the Listing (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 of the Company.

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.

Comparison of business objectives with actual business progress

An analysis comparing the business objectives as set out in the Prospectus for the period from 21 June 2014, being the latest practicable date as defined in the Prospectus ("**LPD**"), to 30 June 2017 (the "**Review Period**") with the Group's actual business progress up to 30 June 2017 is set out as follows:

Business Objective for the Review Period	**Actual Business Progress up to 30 June 2017**
Expanding the production capacity and scale — determine the specification of additional surface mount technology (the "**SMT**") production facilities — acquire and install additional SMT production facilities — expand the Group's operation with the additional SMT production facilities	Considering production and sales performance of its production facilities, the Group will adjust the use of proceeds to generate more effective returns for the Group. For more information, please refer to "Use of Proceeds from the Listing" on page 21.

Business Objective for the Review Period	Actual Business Progress up to 30 June 2017
Strengthening the research and development capabilities	
— formulate an research and development improvement plan and set out the detailed steps, measures and scope of engineering improvement programme	The Group has formulated a research and development improvement plan which sets out the detailed steps, measures and scope of engineering improvement programme
— recruit six employees with engineering expertise in the PRC	The Group has employed six engineers in the PRC
— acquire equipment to enhance the operating system for both GPS personal navigation devices and mobile internet devices	
— acquire equipment to enhance the audio/visual effect of mobile internet devices	The Group has acquired equipment to enhance the operating system
— acquire equipment to raise the energy consumption efficiency of the products	
— provide support to the Group's existing research and development function	The Group has cooperated with third party for supporting our existing research and development
Improving the information technology system	
— acquire a new Enterprise Resource Planning ("**ERP**") system	The Group is reviewing the timeframe for acquiring a new ERP system. During the Review Period, the Group has upgraded the existing ERP system on a small scale
— recruit six personnel with expertise in information technology for the operation and maintenance of the new ERP system	The Group has employed six programmers
— integrate the ERP system into the Group's operation	The Group has integrated existing ERP system into the Group's operation
— acquire computers and servers to support the new ERP system and to upgrade the new ERP system	The Group has acquired the equipment to support the ERP system and upgraded the existing ERP system on a small scale

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. During the Review Period, the Group has applied the net proceeds as follows:

	Adjusted use of proceeds in the same manner and proportion as stated in Prospectus *(note)*	**Actual usage**
	HK$ million	*HK$ million*
Repayment of bank borrowings	12.4	12.4
Marketing and brand promotion "Archon" and "Millennium Pacific" *(note)*	2.0	2.0
Development of trading business and/or potential acquisition(s) *(note)*	6.0	6.0
Strengthening and expanding the research and development team	3.3	3.3
Improving the information technology system	3.6	3.6
Working capital	3	3
	30.3	30.3

Note: On 20 March 2017 the Board resolved to change and ratify any past change in the proposed use of net proceeds of HK$8.0 million originally allocated for expanding the production capacity and scale through the acquisition of additional SMT production facilities to the purposes indicated above. For further details, please refer to the announcement of the Company dated 20 March 2017. Up to the date of this announcement, out of HK$8.0 million the Group has temporarily utilised HK$5.4 million as working capital to leverage on its principal business.

OTHER INFORMATION

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 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 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

As at 30 June 2017, 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 Wai Ting, Samson ("**Mr. Tang**") *(note 2)*	Interest of controlled corporation	35,900,000 (L)	0.69%

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 Ms. Chan Kai Hei, the spouse of Mr. Tang, Mr. Tang is deemed to be interested in all the Shares held by CPIT Investments Limited under the SFO.

Save as disclosed above, as at 30 June 2017, 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

As at 30 June 2017, 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**
Martford Limited *(note 2)*	Beneficial owner	3,095,250,000 (L)	59.21%
Mr. Wang Liang Hai ("**Mr. Wang**") *(note 2)*	Interest of controlled corporation	3,095,250,000 (L)	59.21%
Huang Ke	Beneficial owner	500,000,000 (L)	9.56%
Mak Jone	Beneficial owner	326,560,000 (L)	6.25%

Notes:

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

2. Martford Limited is wholly-owned by Mr. Wang. Accordingly, Mr. Wang is deemed to be interested in all the Shares held by Martford Limited under the SFO.

Save as disclosed above, as at 30 June 2017, 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 2017.

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 three independent non-executive Directors, namely Mr. Huang Jian (chairman of the audit committee), Mr. Chan Hin Hang and Mr. Wong Tik Tung.

The unaudited condensed consolidated financial statements of the Company for the three and six months ended 30 June 2017 has been reviewed by the audit committee. The audit committee is of the opinion that such financial information complies with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosure have been made.

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

Hong Kong, 11 August 2017

As at the date of this announcement, the executive Directors of the Company are Mr. Tang Wai Ting, Samson, Mr. Kor Sing Mung, Michael, Mr. Liu Liang, Mr. Zheng Si Rong and Mr. Wang Li; the non-executive Directors of the Company are Mr. Liang Yujie, Mr. Wu Jin Sheng and Mr. Chong Yu Keung; and the independent non-executive Directors of the Company are Mr. Huang Jian, Mr. Chan Hin Hang, 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.com.hk).