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 2018

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

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

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

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

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 2018 together with the unaudited comparative figures for the corresponding periods in 2017 as follows:

		Three months ended 30 June		**Six months ended 30 June**	
		2018	2017	**2018**	2017
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	*4*	**14,808**	33,548	**22,019**	47,974
Cost of sales		**(13,342)**	(32,566)	**(19,949)**	(46,395)
Gross profit		**1,466**	982	**2,070**	1,579
Other income	*5*	**491**	489	**607**	1,121
Selling and distribution costs		**(45)**	(89)	**(199)**	(494)
Administrative expenses		**(9,675)**	(4,899)	**(18,577)**	(9,136)
Loss from operation		**(7,763)**	(3,517)	**(16,099)**	(6,930)
Finance costs	*6*	**(83)**	(42)	**(198)**	(199)
Loss before tax		**(7,846)**	(3,559)	**(16,297)**	(7,129)
Income tax expense	*7*	**–**	–	**–**	–
Loss for the period	*8*	**(7,846)**	(3,559)	**(16,297)**	(7,129)
Other comprehensive income/ (loss) for the period net of tax:					
Item that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		**814**	(508)	**364**	(637)
Total comprehensive loss for the period		**(7,032)**	(4,067)	**(15,933)**	(7,766)
Profit/(loss) for the period attributable to:					
— Owners of the Company		**(7,926)**	(3,559)	**(16,541)**	(7,129)
— Non-controlling interests		**80**	–	**244**	–
		(7,846)	(3,559)	**(16,297)**	(7,129)

	Note	Three months ended 30 June		Six months ended 30 June	
		2018	2017	**2018**	2017
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Total comprehensive income/ (loss) for the period attributable to:					
— Owners of the Company		**(7,098)**	(4,067)	**(16,168)**	(7,766)
— Non-controlling interests		**66**	–	**235**	–
		(7,032)	(4,067)	**(15,933)**	(7,766)
Loss per share (cents)					
— Basic	*10*	**(0.14)**	(0.07)	**(0.30)**	(0.14)
— Diluted	*10*	**(0.14)**	(0.07)	**(0.30)**	(0.14)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2018 *HK$'000* (unaudited)**	31 December 2017 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment	*11*	**2,966**	51
Deposit paid for acquisition of an associate		**1,895**	–
		4,861	51
Current assets			
Inventories		**1,201**	260
Trade receivables	*12*	**19,083**	31,232
Prepayments and deposits		**11,809**	2,630
Current tax assets		**92**	–
Bank and cash balances		**3,272**	21,298
		35,457	55,420
Current liabilities			
Trade payables	*13*	**15,469**	29,536
Other payables, deposits received and accrued expenses		**6,066**	6,550
Amount due to a director		**8,002**	3,319
Current tax liabilities		**–**	58
		29,537	39,463
Net current assets		**5,920**	15,957
Total assets less current liabilities		**10,781**	16,008
Non-current liabilities			
Amount due to a director		**6,405**	6,207
NET ASSETS		**4,376**	9,801
Capital and reserves			
Share capital	*14*	**1,100**	1,100
Reserves		**3,004**	8,664
		4,104	9,764
Non-controlling interest		**272**	37
TOTAL EQUITY		**4,376**	9,801

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve	Merger reserve	Option reserve	Foreign currency translation reserve	Accumulated losses	Total reserve	Non-controlling interests	Total equity/ (Capital deficiency)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2017 (audited)	1,046	38,747	766	12,400	–	2,986	(49,814)	5,085	–	6,131
Total comprehensive loss 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)
Balance at 1 January 2018 (audited)	**1,100**	**62,627**	**766**	**12,400**	**15,565**	**785**	**(83,479)**	**8,664**	**37**	**9,801**
Recognition of share-based payments	**–**	**–**	**–**	**–**	**10,508**	**–**	**–**	**10,508**	**–**	**10,508**
Total comprehensive income/(loss) for the period (unaudited)	**–**	**–**	**–**	**–**	**–**	**373**	**(16,541)**	**(16,168)**	**235**	**(15,933)**
Balance at 30 June 2018 (unaudited)	**1,100**	**62,627**	**766**	**12,400**	**26,073**	**1,158**	**(100,020)**	**3,004**	**272**	**4,376**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	**(19,502)**	(5,770)
Net cash used in investing activities	**(3,432)**	(13)
Net cash from financing activities	**4,723**	5,607
Net decrease in cash and cash equivalents	**(18,211)**	(176)
Effect of foreign exchange rate changes	**185**	(674)
Cash and cash equivalents at beginning of the period	**21,298**	7,162
Cash and cash equivalents at end of the period	**3,272**	6,312
Analysis of cash and cash equivalents		
Bank and cash balances	**3,272**	6,312

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. 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 the 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.

The unaudited condensed consolidated financial statements of the Group are presented in Hong Kong dollars, which is the functional currency of the Company.

The unaudited condensed consolidated results of the Group for the six months ended 30 June 2018 do not include all the information and disclosures required in the annual financial statements of the Group and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017 (the "**2017 Consolidated Financial Statements**"). Except as described in paragraph headed "Change in accounting policies" below, the accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated results are consistent with those used in the 2017 Consolidated Financial Statements.

The Group has initially adopted HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

The Group has applied HKFRS 9 "Financial Instruments" on 1 January 2018. HKFRS 9 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss ("**FVTPL**") replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. Under HKFRS 9, it is no longer necessary for a loss event to occur before an impairment loss is recognised.

The adoption of HKFRS 9 at the date of initial application on 1 January 2018 has no impact on the consolidated financial statements of the Group with regard to the classification and measurement of financial instruments nor has any material impairment been recognised upon application of the expected loss approach as at same date.

HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 "Revenue from Contracts with Customers" on 1 January 2018. This new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 has superseded existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The adoption of HKFRS 15 at the date of initial application on 1 January 2018 does not have material effect on the Group's consolidated financial statements.

3. 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 2018 *HK$'000*	As at 31 December 2017 *HK$'000*
Hong Kong	**1,333**	–
PRC	**3,528**	51
	4,861	51

4. 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**	
	2018 *HK$'000* **(unaudited)**	2017 *HK$'000* (unaudited)	**2018** *HK$'000* **(unaudited)**	2017 *HK$'000* (unaudited)
Sales of manufactured products	**10,859**	–	**13,813**	4,401
Sales on trading of electronic products, accessories and raw materials	**3,398**	33,548	**6,651**	43,573
Provision of application software development services	**551**	–	**1,555**	–
	14,808	33,548	**22,019**	47,974

5. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest income	**5**	–	**6**	1
Foreign exchange gain, net	**–**	483	**–**	705
Others	**486**	6	**601**	415
	491	489	**607**	1,121

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Imputed interest on loan from a director	**83**	42	**198**	199

7. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2018 and 2017 as the Group's Hong Kong subsidiaries did not generate any assessable profit for the three months ended 30 June 2018 and 2017.

No provision for PRC Enterprise Income Tax is required for the six months ended 30 June 2018 and 2017 as the Group's PRC subsidiaries did not generate any assessable profit for the six months ended 30 June 2018 and 2017.

8. LOSS FOR THE PERIOD

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018	2017	**2018**	2017
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Depreciation of property, plant and equipment	*(a)*	**295**	364	**443**	780
Staff costs (including Directors' emoluments)	*(b)*				
— Salaries, bonus and allowances		**1,376**	1,853	**2,452**	4,167
— Share-based payments		**5,254**	–	**10,508**	–
— Retirement benefits scheme contributions		**94**	118	**120**	317
		6,724	1,971	**13,080**	4,484
Cost of inventories sold		**13,342**	32,566	**19,949**	46,395
Foreign exchange loss/(gain), net		**(512)**	–	**417**	–
Operating lease charges in respect of premises	*(c)*	**2,237**	344	**3,665**	504
Auditor's remuneration		**31**	234	**36**	373
Allowance for other receivables		**–**	–	**551**	–
Allowance/(reversal of allowance) for inventories		**–**	497	**(2,140)**	497

Notes:

(a) Depreciation of property, plant and equipment of approximately HK$5,000 (2017: Nil) and HK$34,000 (2017: HK$46,000) for the three and six months ended 30 June 2018 respectively is included in cost of sales.

(b) Staff costs of approximately HK$191,000 (2017: Nil) and HK$244,000 (2017: HK$85,000) for the three and six months ended 30 June 2018 respectively is included in cost of sales.

(c) Operating lease charges in respect of premises of approximately HK$1,000 (2017: Nil) and HK$18,000 (2017: HK$27,000) for the three and six months ended 30 June 2018 respectively is included in cost of sales.

9. DIVIDEND

No dividend was declared or paid during the three and six months ended 30 June 2018 (Three and six months ended 30 June 2017: Nil).

10. 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	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Loss				
Loss for the purpose of calculating basic and diluted loss per share *(HK$'000)*	**(7,926)**	(3,559)	**(16,541)**	(7,129)
Number of shares				
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**5,497,800,000**	5,227,800,000	**5,497,800,000**	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 2018 are anti-dilutive.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment of approximately HK$3,358,000 (six months ended 30 June 2017: HK$14,000)

12. TRADE RECEIVABLES

	As at 30 June 2018	As at 31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**22,404**	34,553
Allowance for doubtful debts	**(3,321)**	(3,321)
	19,083	31,232

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 2018 *HK$'000* **(unaudited)**	As at 31 December 2017 *HK$'000* (audited)
0 to 30 days	**14,150**	5,473
31 to 60 days	**1,560**	14,391
61 to 90 days	**127**	4,172
Over 90 days	**3,246**	7,196
	19,083	31,232

13. TRADE PAYABLES

	As at 30 June 2018 *HK$'000* **(unaudited)**	As at 31 December 2017 *HK$'000* (audited)
Trade payables	**15,469**	29,536

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

	As at 30 June 2018 *HK$'000* **(unaudited)**	As at 31 December 2017 *HK$'000* (audited)
0 to 30 days	**12,578**	4,913
31 to 60 days	**–**	14,565
Over 60 days	**2,891**	10,058
	15,469	29,536

14. SHARE CAPITAL

	Number of ordinary shares	
	Number of share of HK$0.0002 each	*HK$'000*
Authorised		
As at 31 December 2017 (audited), 1 January 2018 and 30 June 2018 (unaudited)	50,000,000,000	10,000
Issued		
As at 31 December 2017 (audited), 1 January 2018 and 30 June 2018 (unaudited)	5,497,800,000	1,100

15. SHARE OPTION SCHEMES

On 20 June 2014, written resolution of the shareholders of the Company was passed to conditionally approve and adopt two share option schemes namely, Pre-IPO Share Option Scheme ("**Pre-IPO Share Option Scheme**") and Share Option Scheme ("**Share Option Scheme**") to recognise and motivate the contributions that eligible participants have made or may make to the Group. The Pre-IPO Share Option Scheme was valid and effective for a period commencing from 20 June 2014 to the date immediately prior to the Listing of the Company (i.e. 17 July 2014), after which no further option to be granted, 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 Share Option Scheme adopted by the Company on 20 June 2014 will remain in force for a period of ten years from its effective date to 19 June 2024.

Particulars of the Pre-IPO Share Option Scheme and Share Option Scheme of the Company are set out in Appendix IV to the Company's prospectus dated 27 June 2014.

Pursuant to the resolution of the shareholders of the Company passed on 20 June 2014, it was resolved to grant 2,000,000 share options to an employee under the Pre-IPO Share Option Scheme, to subscribe for shares of the Company at an exercise price of HK$1.35 per option. The share options granted under the Pre-IPO Share Option Scheme are exercisable for a period from the date immediately prior to the Listing of the Company to 19 June 2016. During the year ended 31 December 2016, 97,200,000 share options, being the adjusted outstanding share options of the 2,000,000 shares options granted under the Pre-IPO Share Option Scheme following two share subdivisions of the Company on 8 January 2015 and 9 October 2015 respectively, were lapsed following its expiry on 19 June 2016. As of 30 June 2017 and 2018, there was no outstanding share option under both Pre-IPO Share Option Scheme and Share Option Scheme.

Pursuant to the resolution of the board of directors passed on 19 December 2017, it was resolved to grant an aggregate of 500,000,000 share options to three directors and seven employees under the Share Option Scheme, to subscribe for shares of the Company at an exercise price of HK$0.1632 per option ("**2017 Share Options**"). Details of 2017 Share Options are set out below:

Grantee	Date of grant	No. of share options	Vesting period	Exercise period	Exercise price per share option *HK$*
Director	19 December 2017 (A)	162,000,000	N/A	19 December 2017 to 18 December 2027	0.1632
Employees	19 December 2017 (B)	169,000,000	19 December 2017 to 19 December 2018	20 December 2018 to 19 December 2027	0.1632
Employees	19 December 2017 (C)	169,000,000	19 December 2017 to 19 December 2019	20 December 2019 to 19 December 2027	0.1632
		500,000,000			

Details of share options outstanding and their related weighted average exercise price as follows:

	Six months ended 30 June 2018		Six months ended 30 June 2017	
	Number of options	**Weighted average exercise price** *HK$*	Number of options	Weighted average exercise price *HK$*
Outstanding at the beginning of the period	**500,000,000**	**0.1632**	–	–
Granted during the period	**–**	**–**	–	–
Exercised during the period	**–**	**–**	–	–
Lapsed during the period	**–**	**–**	–	–
Outstanding at the end of the period	**500,000,000**	**0.1632**	–	–
Exercisable at the end of the period	**162,000,000**	**0.1632**	–	–

16. CONTINGENT LIABILITIES

At 30 June 2018, the Group did not have any contingent liabilities.

17. 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**	
	2018 *HK$'000* **(unaudited)**	2017 *HK$'000* (unaudited)	**2018** *HK$'000* **(unaudited)**	2017 *HK$'000* (unaudited)
Salaries and allowances	**445**	600	**949**	1,188
Retirement benefits scheme contributions	**2**	8	**3**	15
	447	608	**952**	1,203

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is principally engaged in research and development, manufacture and sales of electronic devices, including fitness bracelets, GPS personal navigation devices, mobile internet devices and TV set-top boxes and software development. The Group provides one-stop services to its customers by offering design, prototyping, manufacturing, assembling and packaging of its products. To diversify its income streams and counter balance the market trends, the Group had expanded its manufacturing business to engage in a new line of business of software development and devoted most of its resources in this new segment during the Reporting Period.

Revenue of the Group for the six months ended 30 June 2018 (the "**Reporting Period**") was approximately HK$22.0 million, representing a decrease of approximately 54.1% from approximately HK$48.0 million for the six months ended 30 June 2017 (the "**Corresponding Period**"). The significant decrease in revenue was mainly attributable to material decrease in revenue of sales on trading of electronic devices, generating revenue of approximately HK$6.7 million for the Reporting Period compared to approximately HK$43.6 million for the Corresponding Period.

Outlook

Due to the intensive market competition and the soaring production costs in the PRC where the Group's production base operates, the management had carefully considered the market factors such as market trends, capital expenditures and development cycles when selecting the appropriate product mix should the Group focus and devote its resources. To diversify its income streams and counter balance the market trends, the Group further developed its manufacturing business and expanded into the business of application software development during the Reporting Period. The Group plans to further its growth through the contribution of the new segment of application software development by (i) streamlining its software development process and (ii) recruiting more eligible candidates.

Looking forward, the Group will remain committed to the development of its business through various channels and continue to identify other business opportunities in higher growth sectors to extend its business in order to enhance the Group's profitability, broaden its revenue base and diversify its business exposure.

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 during the Reporting Period decreased by 57.1% to approximately HK$19.9 million compared to the Corresponding Period. The gross profit margin increased from approximately 3.3% for the six months ended 30 June 2017 to approximately 9.4% for the six months ended 30 June 2018. The gross profit also increased from approximately HK$1.6 million for the six months ended 30 June 2017 to approximately HK$2.1 million for the six months ended 30 June 2018. The increase in gross profit margin and gross profit during the Reporting Period compared with the Corresponding Period was mainly and primarily attributable to the significant increase in the revenue from the sales of manufactured products with higher gross profit, which was partially offset by a material decrease from sales on trading of electronic products with lower gross profit.

The proportion in sales on trading of electronic products decreased to approximately 30.2% for the Reporting Period from approximately 90.8% for the Corresponding Period. The proportion in sales of manufactured products increased to approximately 62.7% for the Reporting Period from approximately 9.2% for the Corresponding Period.

Expenses

Staff costs of the Group for the Reporting Period was approximately HK$13.1 million, representing an increase of approximately HK$8.6 million as compared with staff costs for the Corresponding Period of approximately HK$4.5 million. Such significant increase in staff costs was attributed to the recognition of share-based payment expenses of approximately HK$10.5 million during the Reporting Period.

The administrative expenses of the Group for the six months ended 30 June 2018 was approximately HK$18.6 million (six months ended 30 June 2017: approximately HK$9.1 million), representing an increase of approximately HK$9.5 million as compared with that of last year, which was mainly due to the increase 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$16.3 million during the six months ended 30 June 2018, as compared with a net loss of approximately HK$7.1 million for the six months ended 30 June 2017. The increase of net loss was primarily due to increase in administrative expenses in particular increase 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 2018.

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 2018, the Group had bank and cash balances of approximately HK$3.3 million (31 December 2017: approximately HK$21.3 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.

Taking into account the Group's future development needs, the Company and a placing agent entered into a placing agreement on 17 August 2017 to allot and issue a maximum of 270,000,000 new ordinary shares of the Company (the "**Shares**") at the subscription price of HK$0.09 per Share. The new Shares were issued under the general mandate granted to the Directors by the shareholders at the annual general meeting held on 5 May 2017. The 270,000,000 new Shares of HK$0.0002 each, credited as fully paid, were allotted and issued to not less than six placees on 14 September 2017 with net proceeds of approximately HK$23.9 million for general working capital and future business development of the Group. As at 30 June 2018, out of the net proceeds of HK$23.9 million, (i) approximately HK$8.4 million for operating expenses including but not limited to for rental expenses, remuneration of directors and employees, legal fees and other administrative expenses; (ii) approximately HK$3.3 million for settlement of directors debt; (iii) approximately HK$4.1 million for settlement of account payables; (iv) approximately HK$5.7 million for deposit payment; (v) approximately HK$1.6 million for B2B trading platform setup fee; and (vi) the balance is held as bank deposit. Details of the above placing are set out in the Company's announcements dated 17 August 2017, 31 August 2017, 14 September 2017 and 18 September 2017.

The Group incurred a loss attributable to owners of the Company of approximately HK$16.5 million and as at 30 June 2018, the Group had a net assets of approximately HK$4.4 million. 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 or Directors, negotiating new banking facilities and carrying out further cost controls.

Capital Expenditure

The Group purchased property, plant and equipment amounting to approximately HK$3.3 million for the six months ended 30 June 2018 (six months ended 30 June 2017: approximately HK$14,000).

Capital Commitments

The Group did not have any significant capital commitments as at 30 June 2018 (as at 31 December 2017: Nil).

Debt to Equity Ratio

Due to the net loss incurred during the six months ended 30 June 2018, the Group's equity dropped from approximately HK$9.8 million as at 31 December 2017 to approximately HK$4.4 million as at 30 June 2018. As at 30 June 2018 and at 31 December 2017, all of our bank borrowings and overdrafts had been repaid, therefore debt to equity ratio was not applicable to the Group.

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 Hong Kong dollars ("**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 closely monitor its foreign currency exposure 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 Reporting Period.

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

On 24 May 2018, Shidai Jiufang (Shenzhen) Healthcare Technology Holdings Limited ("**Shidai Jiufang**"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "**Agreement**") with an independent third party, Futaihua Industry (Shenzhen) Company Limited (the "**Vendor**"), pursuant to which Shidai Jiufang had conditionally agreed to acquire, and the Vendor had conditionally agreed to sell 25% equity interest in Hangzhou Zheyu New Energy Automotive Service Company Limited (the "**Target Company**") at the consideration of RMB1,600,000 (equivalent to approximately HK$1,968,000) in cash (the "**Acquisition**"). Upon completion, the Company will be indirectly interested in 25% equity interest in the Target Company. Details of the Acquisition are set out in the announcement of the Company dated 24 May 2018.

Charges over Assets of the Group

As at 30 June 2018, there is no charges over assets of the Group (31 December 2017: Nil).

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

Employees and Remuneration Policies

As at 30 June 2018, the Group had a total of 91 employees. The Group's staff costs for the six months ended 30 June 2018 amounted to approximately HK$13.1 million (six months ended 30 June 2017: HK$4.5 million). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of qualification, responsibility, experience and performance of the individual and the performance of the Group. 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 options.

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 Scheme

The Share Option Scheme adopted by the Company on 20 June 2014 is a share incentive scheme and is established to recognise and acknowledge the contributions that eligible participants (as defined in the Share Option Scheme) have made or may make to the Group.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing from the adoption date (i.e. 20 June 2014) pursuant to the terms of the Share Option Scheme.

There is no movement for the share options for the six months ended 30 June 2018.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company endeavours to maintain high standards of corporate governance for enhancement of shareholders' value and to provide transparency, accountability and independence. The Company's corporate governance practices are based on the principles and the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 of the GEM Listing Rules. The Company adopted the Code Provisions as set out in the CG Code since the listing of the Company on 18 July 2014. During the six months ended 30 June 2018, the Company had complied with the applicable Code Provisions and mandatory disclosure requirement as set out in the CG Code, except for the following deviations in respect of which remedial steps for compliance had been taken or considered reasons are given below.

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Tang Wai Ting, Samson ("**Mr. Tang**") was both the chairman and the chief executive officer of the Company since 2014. 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 Code Provision A.2.1 of the CG Code is appropriate in such circumstance.

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

Code Provision C.1.2 of the CG Code provides that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 17 of the GEM Listing Rules. Although regular monthly updates to the members of the Board were not arranged, the management keeps providing information and updates to the members of the Board as and when appropriate. With the support from the company secretary, the management ensures that all members of the Board properly received adequate, complete and reliable information in a timely manner.

Code Provision A.1.8 of the CG Code provides that appropriate insurance cover in respect of legal action against directors should be arranged. Currently, the Company does not have insurance cover for legal action against its Directors. The Board believes that with the current risk management and internal control systems and the close supervision of the management, the Directors' risk of being sued or getting involved in litigation in the capacity as Directors is relatively low. Benefits to be derived from taking out insurance may not outweigh the cost. Despite it, every Director is, subject to the provisions of the applicable laws, indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities he/she may sustain or incur in or about the execution of his/her office or otherwise in relation thereto pursuant to the articles of association of the Company. In view of the above, the Board considers that the Directors' exposure to risk is manageable.

Code Provision A.5.1 of the CG Code stipulates that the nomination committee shall be chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Mr. Wu Jin Sheng, a non-executive Director, was appointed as the chairman of the nomination committee on 17 July 2017 which resulted in a non-compliance. Such deviation from Code Provision A.5.1 of the CG Code will be rectified as soon as practicable.

Code Provision A.6.7 of the CG Code stipulates that independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to conflicting business schedules, Mr. Wu Jin Sheng, an non-executive Director, was unable to attend the annual general meeting of the Company held on 21 June 2018.

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 2018, the interests and short positions of the Directors and chief executives 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 shares of the Company

Name	**Capacity and nature of interest**	**Class of Shares**	**Number of shares** *(note 1)*	**Percentage of the Company's issued share capital**
Mr. Tang Wai Ting, Samson *(note 2)*	Interest of controlled corporation	ordinary shares	35,900,000 (L)	0.65%
Liu Liang	Beneficial owner	share options *(note 3)*	54,000,000 (L)	0.98%
Wu Jin Sheng	Beneficial owner	share options *(note 3)*	54,000,000 (L)	0.98%
Chong Yu Keung	Beneficial owner	share options *(note 3)*	54,000,000 (L)	0.98%

Notes:

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

2. The 35,900,000 shares were held by CPIT Investments Limited which is beneficially owned as to 99% by Mr. Tang and 1% by his spouse.

3. These represented the interests in underlying shares in respect of share options granted by the Company, details of which are disclosed in section headed "Share Option Scheme" above.

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executives 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 2018, 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**	**Class of Shares**	**Number of shares** *(note 1)*	**Percentage of the Company's issued share capital**
Martford Limited *(note 2)*	Beneficial owner	ordinary shares	3,145,250,000 (L)	57.2%

Notes:

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

2. The 3,145,250,000 shares were held by Martford Limited which is wholly and beneficially owned by Mr. Wang Lianghai.

Save as disclosed above, as at 30 June 2018, 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.

CHANGE OF DIRECTORS

On 31 July 2018, Mr. Chan Hin Hang ("**Mr. Chan**") resigned as an independent non-executive Director of the Company due to his personal affairs. Following the resignation of Mr. Chan, he also ceased to be the member of the Audit Committee, Remuneration Committee and Compliance Committee of the Board. On the same date, Mr. Zheng Wan Zhang, an independent non-executive Director of the Company, has been appointed as a member of each of the Audit Committee and Remuneration Committee of the Board.

On 10 August 2018, Mr. Zheng Si Rong resigned as an executive Director of the Company due to his personal affairs.

Details of the appointment and resignation of directors were set out in the announcements of the Company dated 31 July 2018 and 10 August 2018.

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 2018.

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 business of the Group during the Reporting Period.

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 (committee chairman), Mr. Zheng Wan Zhang and Mr. Wong Tik Tung.

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2018 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, 14 August 2018

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Tang Wai Ting, Samson, Mr. Liu Liang and Mr. Wang Li; two non-executive Directors, namely Mr. Wu Jin Sheng and Mr. Chong Yu Keung; and three independent non-executive Directors, namely Mr. Huang Jian, Mr. Zheng Wan Zhang and Mr. Wong Tik Tung.

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