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## **Millennium Pacific Group Holdings Limited**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8147)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of the companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The board of Directors (the “**Board**”) of the Company is pleased to announce the following consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2014 together with the comparative figures for the preceding year ended 31 December 2013.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2014*

	<i>Note</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Turnover</b>	6	<b>237,226</b>	348,321
Cost of sales		<u>(210,511)</u>	<u>(308,843)</u>
<b>Gross profit</b>		<b>26,715</b>	39,478
Other income	7	<b>342</b>	272
Selling and distribution costs		<b>(2,967)</b>	(4,615)
Administrative expenses		<u>(23,422)</u>	<u>(19,765)</u>
<b>Profit from operation</b>		<b>668</b>	15,370
Finance costs	8	<u>(1,065)</u>	<u>(1,754)</u>
<b>(Loss)/profit before tax</b>	10	<b>(397)</b>	13,616
Income tax expense	9	<u>(1,216)</u>	<u>(3,336)</u>
<b>(Loss)/profit for the year attributable to the owners of the Company</b>		<u><b>(1,613)</b></u>	<u>10,280</u>
<b>Other comprehensive income for the year, net after tax:</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>8</u>	<u>(311)</u>
<b>Total comprehensive income for the year attributable to the owners of the Company</b>		<u><b>(1,605)</b></u>	<u>9,969</u>
<b>(Loss)/earnings per share</b>			(Restated)
— Basic	12	<u><b>(0.002)</b></u>	<u>0.015</u>
— Diluted	12	<u><b>(0.002)</b></u>	<u>0.015</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	<i>Note</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<u>5,612</u>	<u>6,956</u>
<b>Current assets</b>			
Inventories		15,778	25,797
Trade receivables	13	19,142	12,589
Other receivables, prepayments and deposits		5,918	10,561
Amount due from a director		–	777
Current tax assets		1,642	–
Pledged bank deposits		–	10,503
Bank and cash balances		<u>54,272</u>	<u>18,312</u>
		<u>96,752</u>	<u>78,539</u>
<b>Current liabilities</b>			
Trade and bills payables	14	20,012	34,908
Other payables, deposits received and accrued expenses		8,185	7,052
Amount due to a corporate shareholder		–	2,793
Bank borrowings and overdrafts		8,049	11,737
Finance lease payables		147	137
Current tax liabilities		<u>580</u>	<u>1,835</u>
		<u>36,973</u>	<u>58,462</u>
<b>Net current assets</b>		<u>59,779</u>	<u>20,077</u>
<b>Total assets less current liabilities</b>		<u>65,391</u>	<u>27,033</u>
<b>Non-current liabilities</b>			
Finance lease payables		<u>200</u>	<u>347</u>
<b>NET ASSETS</b>		<u><u>65,191</u></u>	<u><u>26,686</u></u>
<b>Capital and reserves</b>			
Share capital	15	1,046	– <sup>#</sup>
Reserves		<u>64,145</u>	<u>26,686</u>
<b>TOTAL EQUITY</b>		<u><u>65,191</u></u>	<u><u>26,686</u></u>

<sup>#</sup> Represents amount less than HK\$1,000

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to the owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000	Merger reserve HK\$'000	Foreign currency translation reserve HK\$'000	Option reserve HK\$'000	Retained profits HK\$'000	Total reserve HK\$'000	Total equity HK\$'000
At 1 January 2013 (note (a))	10,000	-	53	-	729	-	3,535	4,317	14,317
Issue of shares by a subsidiary to an existing corporate shareholder (note (b))	300	2,100	-	-	-	-	-	2,100	2,400
Effect of Reorganisation	(10,300)	(2,100)	-	12,400	-	-	-	10,300	-
Total comprehensive income for the year	-	-	-	-	(311)	-	10,280	9,969	9,969
Appropriations	-	-	343	-	-	-	(343)	-	-
Changes in equity for the year	(10,000)	-	343	12,400	(311)	-	9,937	22,369	12,369
At 31 December 2013 and 1 January 2014	-#	-	396	12,400	418	-	13,472	26,686	26,686
Recognition of share-based payments	-	-	-	-	-	327	-	327	327
Capitalisation issue (note 15(d))	700	(700)	-	-	-	-	-	(700)	-
Placing of shares (note 15(e))	345	46,230	-	-	-	-	-	46,230	46,575
Share issue expenses	-	(6,867)	-	-	-	-	-	(6,867)	(6,867)
Exercise of share options	1	84	-	-	-	(10)	-	74	75
Total comprehensive income for the year	-	-	-	-	8	-	(1,613)	(1,605)	(1,605)
Appropriations	-	-	370	-	-	-	(370)	-	-
Changes in equity for the year	1,046	38,747	370	-	8	317	(1,983)	37,459	38,505
At 31 December 2014	1,046	38,747	766	12,400	426	317	11,489	64,145	65,191

### Notes:

- (a) The share capital balance as at 1 January 2013 represents the issued and fully paid share capital of Central Pacific International Group Limited (“**Central Pacific International**”) of HK\$10,000,000 divided into 10,000,000 ordinary shares of HK\$1 each.
- (b) On 28 August 2013, Central Pacific International increased its authorised share capital from HK\$10,000,000 divided into 10,000,000 shares of HK\$1 each to HK\$20,000,000 divided into 20,000,000 shares of HK\$1 each by the creation of an additional 10,000,000 shares and allotted 300,000 new ordinary shares of HK\$8 each to Seize Minute Limited (“**Seize Minute**”) at a consideration of HK\$2,400,000. The premium on the issue of shares, amounting to HK\$2,100,000, was credited to the share premium account of Central Pacific International.

# Represents amount less than HK\$1,000

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 1. GENERAL INFORMATION

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

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

### 2. GROUP REORGANISATION AND BASIS OF PREPARATION

Pursuant to the Group reorganisation (the "Reorganisation") for the purpose of the Listing, the Company and Millennium Pacific International Group Limited ("Millennium Pacific") were incorporated and interspersed between Central Pacific International and the equity holders of Central Pacific International; and became the holding company of the subsidiaries now comprising the Group and the intermediate holding company of Central Pacific International respectively. Further details of the Reorganisation are also set out in the paragraphs headed "Reorganisation" of the section headed "History, Development and Reorganisation" to the prospectus of the Company dated 27 June 2014 (the "Prospectus").

As the Group Reorganisation only involved inserting new holding entities at the top of an existing group and has not resulted in any change of economic substances, the financial statements of the Group for the years ended 31 December 2014 and 2013 have been presented as a continuation of the existing group based on the principles and procedures of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the current group structure had been in existence throughout the reporting periods rather than from the date of incorporation of the Company.

The financial statements is presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

### 3. NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2013 consolidated financial statements. The adoption of the new and revised HKFRSs that are relevant to the Group and effective from the current year had no significant effects on the results and financial position of the Group for the current and prior years.

#### (a) Application of new and revised HKFRSs

The following standards have been adopted by the Group for the first time for the financial year beginning 1 January 2014:

##### *Amendment to HKAS 32, Offsetting financial assets and financial liabilities*

This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

*Amendments to HKFRS 13 (Annual Improvements to HKFRSs 2010–2012 Cycle)*

This amendment to the standard's basis for conclusions only clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is retained.

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2014. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all 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 on its results and financial position.

**(c) New Hong Kong Companies Ordinance**

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the disclosure of information in the consolidated financial statements will be affected.

**4. SIGNIFICANT ACCOUNTING POLICIES**

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which concern the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

These financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

**5. SEGMENT INFORMATION**

**Operating segment information**

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

**Geographical information**

Non-current assets are not presented in the geographical information as they are all located in the PRC.

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

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Taiwan	<b>100,695</b>	222,917
Hong Kong	<b>50,763</b>	68
United Kingdom	<b>31,160</b>	80,229
Others	<b>54,608</b>	45,107
	<u><b>237,226</b></u>	<u>348,321</u>

#### **Information about major customers**

The Group's customer base included two (2013: two) customers with whom transactions have exceeded 10% of its revenue during the years is set out as below:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Customer A	<b>94,885</b>	192,508
Customer B	<b>31,160</b>	80,229
	<u><b>126,045</b></u>	<u>272,737</u>

## **6. TURNOVER**

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

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Sales of manufactured products	<b>214,654</b>	346,116
Sales on trading of electronic products, accessories and raw materials	<b>22,572</b>	2,205
	<u><b>237,226</b></u>	<u>348,321</u>

## **7. OTHER INCOME**

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest income	<b>11</b>	18
Gain on sales of scrap	<b>281</b>	60
Others	<b>50</b>	194
	<u><b>342</b></u>	<u>272</u>

## 8. FINANCE COSTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Repayable within five years</b>		
Interest on bank loans	165	–
Interest on bank overdrafts	561	824
Interest on import/export loans	308	889
Finance lease charges	31	41
	<u>1,065</u>	<u>1,754</u>

## 9. INCOME TAX EXPENSE

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	488	2,117
Under-provision in prior years	2	74
	<u>490</u>	<u>2,191</u>
Current tax — PRC Enterprise Income Tax (“EIT”)		
Provision for the year	665	1,145
Under-provision in prior years	61	–
	<u>726</u>	<u>1,145</u>
Total tax charge for the year	<u>1,216</u>	<u>3,336</u>

Hong Kong Profits Tax is provided at 16.5% (2013: 16.5%) based on the assessable profits for the year.

PRC EIT is calculated at 15% (2013: 25%) on the assessable profits for the year. On 26 December 2014, Central Pacific Int Technology Limited\* (“CPIT”), a Company’s PRC subsidiary, was granted status of High and New Technology Enterprise and entitled to preferential EIT rate of 15% from 1 January 2014 to 31 December 2016 provided CPIT continues engaging in activities which meet the criteria of being a High and New Technology Enterprise pursuant to No. 28 of the EIT Law of the PRC (“EIT Law”) and No. 93 of the Regulation on the Implementation of the EIT Law promulgated by the State Council of the PRC.

\* *English name is for identification purpose only*



## 10. (LOSS)/PROFIT BEFORE TAX

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

	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	2013 <i>HK\$'000</i>
Depreciation of property, plant and equipment	(a)	<b>1,420</b>	1,425
Staff costs (including directors' emoluments)	(b)		
— Salaries, bonus and allowances		<b>14,528</b>	21,065
— Equity-settled share-based payments		<b>327</b>	—
— Retirement benefits scheme contributions		<b>1,785</b>	2,302
		<b>16,640</b>	23,367
Cost of inventories sold		<b>210,511</b>	308,843
Foreign exchange loss		<b>976</b>	2,201
Operating lease charges on premises	(c)	<b>2,945</b>	2,897
Auditor's remuneration		<b>480</b>	379
Allowance for inventories		<b>1,710</b>	1,663
Reversal of allowance for inventories (included in cost of sales)		<b>(1,026)</b>	—

*Notes:*

- (a) Depreciation of property, plant and equipment of HK\$1,012,000 (2013: HK\$1,264,000) for the year ended 31 December 2014 is included in cost of sales.
- (b) Staff costs of HK\$8,352,000 (2013: HK\$14,922,000) for the year ended 31 December 2014 is included in cost of sales.
- (c) Operating lease charges of HK\$1,706,000 (2013: HK\$1,517,000) for the year ended 31 December 2014 is included in cost of sales.

## 11. DIVIDEND

No dividend had been paid or declared by the Company during the year (2013: Nil).

## 12. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the following:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purpose of calculating basic and diluted (loss)/earnings per share	<u><b>(1,613)</b></u>	<u>10,280</u>
	<b>2014</b>	2013 (Restated)
<b>Number of shares</b>		
Issued ordinary shares at the beginning of year ( <i>note (a)</i> )	<b>700,000,000</b>	700,000,000
Effect of placing of shares upon the Listing	<b>156,904,110</b>	–
Effect of exercise of share options	<u><b>181,041</b></u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<b>857,085,151</b>	700,000,000
Effect of dilutive potential ordinary shares arising from share options outstanding ( <i>note (b)</i> )	<u><b>17,779,255</b></u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u><b>874,864,406</b></u>	<u>700,000,000</u>

*Notes:*

- (a) Issued ordinary shares of the Company at the beginning of year is on the assumption that 700,000,000 (2013 (restated): 700,000,000) ordinary shares, being the number of shares in issue immediately after the completion of the capitalisation issue, deemed to have been issued throughout the period from 1 January 2013 and up to 16 July 2014, immediately before the completion of share placing upon the Listing.
- (b) Weighted average of 19,440,000 (2013: Nil) ordinary shares deemed to be issued at no consideration as if the Company's share options have been exercised.
- (c) For the purpose of calculation of basic and diluted (loss)/earnings per share for the years ended 31 December 2014 and 2013, the share subdivision being effective on 8 January 2015 (note 16(a)) was deemed to be effective throughout the period from 1 January 2013 to 31 December 2014.

The effects of the Company's outstanding share options as at 31 December 2014 do not give rise to any dilution to loss per share.

### 13. TRADE RECEIVABLES

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade receivables	<u><b>19,142</b></u>	<u>12,589</u>

The Group's trading terms with its major customers is either on credit or to provide the Group with irrecoverable letters of credit issued by reputable banks, with terms within 30 days (2013: 30 days). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0-30 days	<b>19,106</b>	12,468
31-60 days	<b>35</b>	60
61-90 days	<b>1</b>	55
Over 90 days	<u>-</u>	<u>6</u>
	<u><b>19,142</b></u>	<u>12,589</u>

As of 31 December 2014, trade receivables of approximately HK\$36,000 (2013: HK\$121,000) were past due but not impaired. These trade receivables related to customers for whom there was no recent history of default. The ageing analysis of these trade receivables, based on due date, is as follows:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0-30 days	<b>35</b>	60
31-60 days	<b>1</b>	55
Over 60 days	<u>-</u>	<u>6</u>
	<u><b>36</b></u>	<u>121</u>

The carrying amounts of the Group's trade receivables are denominated in United States dollars ("US\$") and exposes the Group to the foreign currency risk.

#### 14. TRADE AND BILLS PAYABLES

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade payables	<b>16,198</b>	28,840
Bills payables	<b>3,814</b>	6,068
	<u><b>20,012</b></u>	<u>34,908</u>

An ageing analysis of the Group's trade and bills payables based on invoice date at the end of reporting period is as follows:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0–30 days	<b>12,284</b>	15,300
31–60 days	<b>2,744</b>	8,531
Over 60 days	<b>4,984</b>	11,077
	<u><b>20,012</b></u>	<u>34,908</u>

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

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
HK\$	<b>1,685</b>	3,178
Renminbi (“RMB”)	<b>3,622</b>	15,279
US\$	<b>14,705</b>	16,451
	<u><b>20,012</b></u>	<u>34,908</u>

## 15. SHARE CAPITAL

	<i>Note</i>	<b>Number of shares</b>	<b>Amount HK\$'000</b>
<i>Authorised:</i>			
Ordinary shares of HK\$0.01 each			
On incorporation and at 31 December 2013 and at 1 January 2014	<i>(a)</i>	38,000,000	380
Increase in authorised ordinary shares	<i>(d)</i>	<u>962,000,000</u>	<u>9,620</u>
At 31 December 2014		<u><u>1,000,000,000</u></u>	<u><u>10,000</u></u>
		<b>Number of shares</b>	<b>Amount HK\$'000</b>
<i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.01 each			
1 share allotted and issued, nil-paid on the date of incorporation	<i>(a)</i>	1	—#
Issue of shares for cash on 10 September 2013	<i>(b)</i>	999	—#
Issue of shares on Reorganisation on 11 December 2013	<i>(c)</i>	<u>1,000</u>	<u>—#</u>
At 31 December 2013 and 1 January 2014		2,000	—#
Capitalisation issue	<i>(d)</i>	69,998,000	700
Issue of shares by way of placing	<i>(e)</i>	34,500,000	345
Exercise of share options		<u>56,000</u>	<u>1</u>
At 31 December 2014		<u><u>104,556,000</u></u>	<u><u>1,046</u></u>

# Represents amount less than HK\$1,000

### Notes:

- (a) The Company was incorporated in the Cayman Islands as an exempted company on 10 September 2013 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each, of which 1 share was allotted and issued to an initial subscriber at par, and was transferred to CPIT Investments Limited (“**CPIT Investments**”), a corporate shareholder of the Company for cash at par.
- (b) On 10 September 2013, additional 654 shares were allotted and issued fully paid to CPIT Investments and additional 345 shares were allotted and issued fully paid to Seize Minute.
- (c) On 11 December 2013, the Company allotted and issued 655 shares and 345 shares (all credited as fully paid) to CPIT Investments and Seize Minute respectively as consideration of Seize Minute, Tang Wai Ting, Samson (“**Mr. Tang**”) and Chan Kai Hei (“**Mrs. Tang**”) transferring the entire issued share capital in Central Pacific International to Millennium Pacific pursuant to a share transfer agreement entered into between the Company as purchaser and Seize Minute, Mr. Tang and Mrs. Tang as vendors dated 11 December 2013 pursuant to the Group Reorganisation.

- (d) On 20 June 2014, written resolutions of the shareholders of the Company were passed to approve the increase in authorised share capital of the Company from HK\$380,000 to HK\$10,000,000 by the creation of an additional 962,000,000 shares of HK\$0.01 each; and conditional on the share premium account of the Company being credited pursuant to the placing of shares of the Company; the directors of the Company were authorised to capitalise the sum of HK\$699,980 standing to the credit of the share premium account of the Company by issuing 69,998,000 shares of HK\$0.01 each, credited as fully paid at par.
- (e) On 18 July 2014, the Company issued 34,500,000 ordinary shares of HK\$0.01 each at a price of HK\$1.35 each upon completion of the placing of the Company's shares.

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

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit from the date of the Listing. As of 31 December 2014, 33% of the shares were in public hands.

## **16. EVENTS AFTER THE REPORTING PERIOD**

- (a) On 17 December 2014, the Company announced that the board of directors proposes to subdivide each of the existing issued and unissued share of HK\$0.01 in the share capital of the Company into ten (10) subdivided shares of HK\$0.001 each (the "Share Subdivision"). The completion of the Share Subdivision is subject to the approval of the Company's shareholders in an extraordinary general meeting.

On 7 January 2015, an ordinary resolution for approving the Share Subdivision has been passed at an extraordinary general meeting of shareholders of the Company. The Share Subdivision was effective on 8 January 2015.

Details of the above are set out in the Company's announcements dated 10 December 2014 and 7 January 2015 and the Company's circular dated 17 December 2014 respectively.

- (b) On 28 January 2015, the Company and Sichuan Chanrongyun Investment Limited\* ("Sichuan Chanrongyun") entered into the strategic cooperation agreement (the "Strategic Cooperation Agreement") pursuant to which Sichuan Chanrongyun shall be engaged to assist the Company in developing the sales network of its subsidiaries. Details of the above are set out in the Company's announcement dated 28 January 2015.

\* *English name is for identification purpose only*

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

The Group is principally engaged in the research and development, manufacture and sale of consumer electronic products, such as global positioning system (“GPS”) personal navigation devices, mobile internet devices and digital video recorders. The Group is an original equipment manufacturer or original design manufacturer of its products.

The Group aims to provide one-stop services to its customers by offering design, prototyping/sampling, manufacturing, assembling and packaging of their products. The Group researches, develops and manufactures consumer electronic products, such as GPS personal navigation devices for its customers in accordance with their needs. As a result, certain customers utilise the Group’s design engineering capabilities for their product development of GPS personal navigation devices. For other electronic devices, such as mobile internet devices and digital video recorders, the Group generally manufactures these products according to its customers’ own specifications. The Group’s main capabilities include (i) developing GPS functions; and (ii) surface mount technology (“SMT”) for handling different types of consumer electronic products, such as GPS personal navigation devices, mobile internet devices and digital video recorders. Such capabilities enable the Group to manufacture consumer electronic products in accordance with the needs of its customers.

### FINANCIAL REVIEW

#### Revenue

For GPS personal navigation devices, the Group sold approximately 546,000 units and 343,000 units for each of the years ended 31 December 2013 and 2014 respectively. For each of the years ended 31 December 2013 and 2014, the Group sold approximately 153,000 units and 124,000 units of mobile internet devices respectively. The following table sets forth the breakdowns of the turnover of the Group by product categories for each of the years ended 31 December 2013 and 2014:

	For the year ended 31 December	
	2014	2013
	HK\$’000	HK\$’000
GPS personal navigation devices	135,093	232,579
Mobile internet devices ( <i>note</i> )	92,189	111,372
Digital video recorders	–	2,838
Accessories and others	9,944	1,532
	<u>237,226</u>	<u>348,321</u>

*Note:* including tablets and ebooks

An analysis of the Group's turnover for the year is as follows:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Sales of manufactured products	<b>214,654</b>	346,116
Sales of electronic products, accessories and raw materials	<b>22,572</b>	2,205
	<b>237,226</b>	348,321

In light of the decline in revenue from the sales of manufactured products, the Group has sold more electronic products, accessories and raw materials. The revenue from the sales of electronic products, accessories and raw materials has increased from approximately HK\$2.2 million in 2013 to HK\$22.6 million in 2014.

### **Cost of Sales and Gross Profit**

The majority of the Group's cost of sales was raw material costs. The Group's cost of sales dropped in line with the turnover by approximately 31.8% to approximately HK\$210.5 million during the years ended 31 December 2013 and 2014. The gross profit margin remained stable at approximately 11.33% and 11.26% for each of the years ended 31 December 2013 and 2014. The gross profit also dropped from approximately HK\$39.5 million for the year ended 31 December 2013 to approximately HK\$26.7 million for the year ended 31 December 2014 mainly due to the decline in revenue.

### **Expenses**

Staff costs for the year ended 31 December 2014 was approximately HK\$16.6 million (2013: approximately HK\$23.4 million), representing a decrease of approximately HK\$6.8 million as compared with the last year, which was mainly due to drop in average headcount during the period.

Administrative expenses for the year ended 31 December 2014 was approximately HK\$23.4 million (2013: approximately HK\$19.8 million), representing an increase of approximately HK\$3.6 million of last year, mainly due to the listing expenses of approximately HK\$7.4 million incurred for the year ended 31 December 2014 (2013: HK\$2.6 million).

### **Taxes**

The income tax expense comprised Hong Kong Profits Tax and PRC Enterprise Income Tax ("EIT") for the year. The income tax expense for the year ended 31 December 2014 was approximately HK\$1.2 million (2013: HK\$3.3 million). The Group incurred tax expense in 2014 despite the loss before tax generated mainly because most of the listing expenses are not tax deductible.



Hong Kong Profits Tax is provided at 16.5% (2013: 16.5%) based on the assessable profits for the year. PRC EIT is calculated at 15% (2013: 25%) on the assessable profits for the year. On 26 December 2014, Central Pacific Int Technology Limited (“CPIT”), a Company’s PRC subsidiary, was granted status of High and New Technology Enterprise and entitled to preferential EIT rate of 15% from 1 January 2014 to 31 December 2016 provided CPIT continues engaging in activities which meet the criteria of being a High and New Technology Enterprise pursuant to No. 28 of the EIT Law of the PRC (“EIT Law”) and No. 93 of the Regulation on the Implementation of the EIT Law promulgated by the State Council of the PRC.

### **(Loss)/profit for the year**

The Group incurred a net loss of approximately HK\$1.6 million during the year ended 31 December 2014, as compared with a net profit of approximately HK\$10.3 million for the year ended 31 December 2013. The Board considers that such net loss was mainly due to (a) the decrease in the sales to its major customers mainly since: (1) the country which one of its major customers sold its products to was in a grim economic atmosphere in the fourth quarter of 2014; and (2) there was intense competition in the consumer electronic product market which led to higher customer requirements and as a result, more time was devoted by the Group in the research and development process and the progress of researching and developing and the launch of new consumer electronic products was slower than expected ; and (b) the recognition of the listing expenses of approximately HK\$7.4 million during the year ended 31 December 2014 (2013: approximately HK\$2.6 million).

### **Liquidity, Financial Resources and Capital Structure**

Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. On 18 July 2014, the Company was listed on the GEM of the Stock Exchange by way of placing and completed the placing of 34,500,000 shares at placing price of HK\$1.35. The actual net proceeds from the issue of new shares of the Company under the placing were approximately HK\$30.3 million. The Directors believe that with the new capital from the placing of shares of the Company on the GEM, the Group is in a healthy financial position to expand its core business and to achieve its business objectives. As at 31 December 2014, the Group had various bank borrowings and overdrafts of approximately HK\$8.0 million (31 December 2013: HK\$11.7 million). The Group requires cash primarily for working capital needs. As at 31 December 2014, the Group had approximately HK\$54.3 million in bank and cash balances (31 December 2013: HK\$18.3 million).

### **Gearing Ratio**

On 18 July 2014, the Company was listed on the GEM of the Stock Exchange by way of placing and raised net proceeds from the issue of new shares of the Company of approximately HK\$30.3 million. With the net proceeds from the issue of new shares, the Group’s equity base was significantly expanded, leading to the significant drop in gearing ratio from approximately 45.8% as at 31 December 2013 to approximately 12.9% as at 31 December 2014.

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

## **OPERATION REVIEW**

### **Outlook**

In 2014, there was also intense competition in the consumer electronic product market which led to higher customer requirements and as a result, more time was devoted by the Group in the research and development process and the progress of researching and developing and the launch of new consumer electronic products was slower than expected. Besides, the country which one of our major customers sold its products to was in a grim economic atmosphere in the fourth quarter of 2014. Both led to the drop in revenue of the Group for the year ended 31 December 2014.

With the competitive market condition, the Group has sought to expand its product portfolio. In 2014, the Group has developed mobile internet device under a different operating system.

In the last quarter of 2014, the Group established two new subsidiaries in Hong Kong, namely Millennium Pacific Trading Limited and Millennium Pacific Solutions Limited. Millennium Pacific Trading Limited was established to assist the Group's sales of electronic devices business. Millennium Pacific Solutions Limited was established for the purpose of enhancing the research and development on software, including operation system and application software of the Group, but it remained inactive as at 31 December 2014.

On 28 January 2015, the Company and Sichuan Chanrongyun entered into the Strategic Cooperation Agreement pursuant to which Sichuan Chanrongyun shall be engaged to assist the Company in developing the sales network of its subsidiaries. Pursuant to the Strategic Cooperation Agreement, Sichuan Chanrongyun undertakes to introduce to the Company Beijing Hainalier Science Technology Development Limited\* (北京海納利爾科技發展有限公司) (“**Beijing Hainalier**”), a company incorporated in the PRC engaged in, inter alia, the sale of electrical appliances. The Company shall explore business opportunities with Beijing Hainalier.

Furthermore, to enhance the Group's research and development function and expand its product functionality, the Group is contemplating to develop on its own or seek cooperation with third party companies for involving in data management or development of software including operation system and application software activities. No target has been identified by the Group and no decision of such cooperation has been made by the Board yet. The Company will make announcement of the progress of such cooperation (if any) in due course.

### **Employees and Remuneration Policies**

As at 31 December 2014, the Group had a total of 207 employees. The Group's staff costs for the year ended 31 December 2014 amounted to approximately HK\$16.6 million (2013: approximately HK\$23.4 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 options.

In Hong Kong, the Group's employees have participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). In the PRC, the Group's employees have participated in the basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, maternity insurance prescribed by the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), and housing fund prescribed by the Regulations on the Administration of Housing Fund (《住房公積金管理條例》). All PRC based employees have the right to participate in the social insurance and housing provident fund schemes.

### **Capital expenditure**

The Group purchased property, plant and equipment amounting to approximately HK\$0.1 million for the year ended 31 December 2014 (2013: approximately HK\$0.2 million).

### **Capital commitments**

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

### **Foreign Currency Risk**

The functional currency of the Group's entities are principally denominated in either HK\$ and Renminbi. The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than its functional currency such as United States dollars. 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 year ended 31 December 2014.

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

Save for those disclosed in the section headed "Business Objectives and Strategies" in the prospectus dated 27 June 2014 and save for the corporate reorganisation of the Group in preparation for Listing, there were neither significant investments held as at 31 December 2014 nor material acquisitions and disposals of subsidiaries during the year ended 31 December 2014. There is no plan for material investments or capital assets as at the date of this announcement.

### **Charges over Assets of the Group**

As at 31 December 2014, the Group had pledged deposits of approximately HK\$Nil (31 December 2013: HK\$10.5 million). These deposits are pledged to banks to secure banking facilities granted to the Group. The Group also had a motor vehicle acquired under finance lease. As at 31 December 2014, the carrying value of finance lease payables amounted to approximately HK\$0.3 million (31 December 2013: HK\$0.5 million).

## **Dividend**

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2014.

## **PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

## **CORPORATE GOVERNANCE PRACTICES**

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

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

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

## **EVENTS AFTER THE REPORTING PERIOD**

- (a) On 17 December 2014, the Company announced that the board of directors proposes to subdivide each of the existing issued and unissued share of HK\$0.01 in the share capital of the Company into ten (10) subdivided shares of HK\$0.001 each (the "**Share Subdivision**"). The completion of the Share Subdivision is subject to the approval of the Company's shareholders in an extraordinary general meeting.

On 7 January 2015, an ordinary resolution for approving the Share Subdivision has been passed at an extraordinary general meeting of shareholders of the Company. The Share Subdivision was effective on 8 January 2015.

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- (b) On 28 January 2015, the Company and Sichuan Chanrongyun entered into the Strategic Cooperation Agreement pursuant to which Sichuan Chanrongyun shall be engaged to assist the Company in developing the sales network of its subsidiaries. Pursuant to the Strategic Cooperation Agreement, Sichuan Chanrongyun undertakes to introduce to the Company Beijing Hainalier, a company incorporated in the PRC engaged in, inter alia, the sale of electrical appliances. The Company shall explore business opportunities with Beijing Hainalier.

## **SCOPE OF WORK OF WORLD LINK CPA LIMITED**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been compared by the Company's auditors, World Link CPA Limited ("**World Link**"), to the amounts set out in the Group's financial statements for the year and the amounts were found to be in agreement. The work performed by World Link in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this preliminary announcement of results.

## **AUDIT COMMITTEE**

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

The Audit Committee is currently composed of the 4 Independent Non-executive Directors, namely Ms. Eugenia Yang, Ms. Chan Sze Man, Mr. Lee Wai Hung and Mr. Ng Ka Chung, and chaired by Ms. Eugenia Yang.

The Audit Committee has reviewed the annual results and draft financial statements of the Group for the year ended 31 December 2014 and recommended approval to the Board.

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

Hong Kong, 20 March 2015

*As at the date of this announcement, the executive Directors of the Company are Mr. Tang Wai Ting, Samson, Ms. Chan Kai Hei, and Mr. Chiu Chen Hsun; the non-executive Directors of the Company are Mr. Tse Yee Hin, Tony and Dr. Li Ying; and the independent non-executive Directors of the Company are Ms. Chan Sze Man, Mr. Lee Wai Hung, Mr. Ng Ka Chung, and Ms. Eugenia Yang.*

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

\* For identification purpose only