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**Million Stars**

**MILLION STARS HOLDINGS LIMITED**

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

**(Stock Code: 8093)**

**ANNOUNCEMENT OF ANNUAL RESULTS  
FOR THE YEAR 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 Million Stars 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.*

## FINANCIAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30 June 2018, together with the audited comparative figures for the year ended 30 June 2017 as follows, which are presented in Hong Kong dollars (“HK\$”):

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

*For the year ended 30 June 2018*

|                                                                                 | <i>Note</i> | <b>2018</b><br><b>HK\$'000</b> | 2017<br><i>HK\$'000</i> |
|---------------------------------------------------------------------------------|-------------|--------------------------------|-------------------------|
| Revenue                                                                         | 4           | <b>586,789</b>                 | 62,189                  |
| Cost of sales                                                                   |             | <b>(311,429)</b>               | (38,149)                |
| Gross profit                                                                    |             | <b>275,360</b>                 | 24,040                  |
| Other income, (losses)/gains                                                    | 5           | <b>(4,061)</b>                 | 1,196                   |
| Selling and distribution expenses                                               |             | <b>(7,908)</b>                 | (2,730)                 |
| Administrative expenses                                                         |             | <b>(50,636)</b>                | (23,254)                |
| <b>Profit/(loss) from operations</b>                                            |             | <b>212,755</b>                 | (748)                   |
| Finance costs                                                                   | 6           | <b>(7)</b>                     | –                       |
| <b>Profit/(loss) before tax</b>                                                 | 7           | <b>212,748</b>                 | (748)                   |
| Income tax expense                                                              | 8           | <b>(8,168)</b>                 | (2,012)                 |
| <b>Profit/(loss) for the year</b>                                               |             | <b>204,580</b>                 | (2,760)                 |
| <b>Other comprehensive income:</b>                                              |             |                                |                         |
| <i>Items that may be reclassified to profit or loss:</i>                        |             |                                |                         |
| Exchange differences on translating foreign operations                          |             | <b>(3,002)</b>                 | 481                     |
| Exchange differences reclassified to profit or loss on disposal of subsidiaries |             | <b>6</b>                       | –                       |
| <b>Other comprehensive income for the year, net of tax</b>                      |             | <b>(2,996)</b>                 | 481                     |
| <b>Total comprehensive income for the year</b>                                  |             | <b>201,584</b>                 | (2,279)                 |

|                                                                 | <i>Note</i> | <b>2018</b><br><b>HK\$'000</b> | 2017<br>HK\$'000 |
|-----------------------------------------------------------------|-------------|--------------------------------|------------------|
| <b>Profit/(loss) for the year attributable to:</b>              |             |                                |                  |
| — Owners of the Company                                         |             | <b>199,455</b>                 | (2,760)          |
| — Non-controlling interests                                     |             | <b>5,125</b>                   | —                |
|                                                                 |             | <u><b>204,580</b></u>          | <u>(2,760)</u>   |
| <b>Total comprehensive income for the year attributable to:</b> |             |                                |                  |
| — Owners of the Company                                         |             | <b>196,459</b>                 | (2,279)          |
| — Non-controlling interests                                     |             | <b>5,125</b>                   | —                |
|                                                                 |             | <u><b>201,584</b></u>          | <u>(2,279)</u>   |
| <b>Earnings/(losses) per share</b>                              | <i>10</i>   |                                |                  |
| Basic and diluted (HK cents)                                    |             | <u><b>49.86</b></u>            | <u>(0.69)</u>    |

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 30 June 2018*

|                                                      | <i>Note</i> | <b>2018</b><br><b>HK\$'000</b> | <b>2017</b><br><b>HK\$'000</b> |
|------------------------------------------------------|-------------|--------------------------------|--------------------------------|
| <b>Non-current assets</b>                            |             |                                |                                |
| Property, plant and equipment                        |             | <b>5,747</b>                   | 1,203                          |
| Goodwill                                             |             | <b>2,678</b>                   | 153                            |
|                                                      |             | <b>8,425</b>                   | 1,356                          |
| <b>Current assets</b>                                |             |                                |                                |
| Inventories                                          |             | <b>8,809</b>                   | 7,622                          |
| Trade receivables                                    | <i>11</i>   | <b>226,434</b>                 | 8,583                          |
| Deposits, prepayments and other receivables          |             | <b>73,454</b>                  | 14,242                         |
| Current tax assets                                   |             | –                              | 1,485                          |
| Bank and cash balances                               |             | <b>113,435</b>                 | 41,567                         |
| Pledged bank deposits                                |             | <b>1,050</b>                   | 1,048                          |
|                                                      |             | <b>423,182</b>                 | 74,547                         |
| <b>Current liabilities</b>                           |             |                                |                                |
| Trade payables                                       | <i>12</i>   | <b>79,651</b>                  | 2,271                          |
| Accruals, other payables and trade deposits received |             | <b>23,868</b>                  | 12,309                         |
| Amount due to a shareholder                          |             | <b>58,559</b>                  | –                              |
| Finance lease payables                               |             | <b>175</b>                     | –                              |
| Current tax liabilities                              |             | <b>7,841</b>                   | 1,717                          |
|                                                      |             | <b>170,094</b>                 | 16,297                         |
| <b>Net current assets</b>                            |             | <b>253,088</b>                 | 58,250                         |
| <b>Total assets less current liabilities</b>         |             | <b>261,513</b>                 | 59,606                         |
| <b>Non-current liabilities</b>                       |             |                                |                                |
| Finance lease payables                               |             | <b>331</b>                     | –                              |
| Deferred tax liabilities                             |             | <b>5</b>                       | 13                             |
|                                                      |             | <b>336</b>                     | 13                             |
| <b>NET ASSETS</b>                                    |             | <b>261,177</b>                 | 59,593                         |
| <b>Capital and reserves</b>                          |             |                                |                                |
| Share capital                                        | <i>13</i>   | <b>4,000</b>                   | 4,000                          |
| Reserves                                             |             | <b>257,177</b>                 | 55,593                         |
| <b>TOTAL EQUITY</b>                                  |             | <b>261,177</b>                 | 59,593                         |

## **1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands with limited liability. The address of the registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is Unit 3401, 34/F., Lippo Centre, Tower 1, No. 89 Queensway, Admiralty, Hong Kong. The Company's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are provision of internet advertising agency services, mobile payment technical support services and manufacturing and sales of leather products.

## **2. BASIS OF PREPARATION**

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

## **3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

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

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2017. None of these impact on the accounting policies of the Group. However, the Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

#### ***Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative***

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

#### ***Amendments to HKAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses***

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses, for example, those on debt instruments measured at fair value. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

**(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 July 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

|                                                     | <b>Effective for accounting periods beginning on or after</b> |
|-----------------------------------------------------|---------------------------------------------------------------|
| HKFRS 9 Financial Instruments                       | 1 January 2018                                                |
| HKFRS 15 Revenue from Contracts with Customers      | 1 January 2018                                                |
| HKFRS 16 Leases                                     | 1 January 2019                                                |
| HK(IFRIC) 23 Uncertainty over Income Tax Treatments | 1 January 2019                                                |

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 31 December 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

*HKFRS 9 Financial Instruments*

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 30 June 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

**Impairment**

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 1 July 2018, accumulated impairment loss at that date would not be significantly impacted.

### *HKFRS 15 Revenue from Contracts with Customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 July 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

Currently, revenue arising from the provision of internet advertising agency services and mobile payment technical support services are recognised when the service is rendered, whereas revenue from the sales of leather products is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

- (a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- (b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- (c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group is still assessing the impacts of adopting HKFRS 15 on the consolidated financial statements. The Group is unable to estimate the impact of the new standard on the consolidated financial statements until a more detailed analysis is completed.

### *HKFRS 16 Leases*

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

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

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property and factory leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office properties and factory amounted to HK\$3,236,000 as at 30 June 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amount will be adjusted for the effect of discounting and the transition reliefs available to the Group.

### *HK(IFRIC) 23 Uncertainty over Income Tax Treatments*

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

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

## **4. REVENUE AND OPERATING SEGMENT INFORMATION**

An analysis of the Group's revenue is as follows:

|                                           | <b>2018</b><br><b>HK\$'000</b> | 2017<br><i>HK\$'000</i> |
|-------------------------------------------|--------------------------------|-------------------------|
| Internet advertising agency services      | <b>470,344</b>                 | 6,563                   |
| Mobile payment technical support services | <b>55,997</b>                  | 1,441                   |
| Sales of leather products                 | <b>60,448</b>                  | 54,185                  |
|                                           | <b>586,789</b>                 | 62,189                  |



The Group has three operating segments as follows:

|                                           |   |                                                        |
|-------------------------------------------|---|--------------------------------------------------------|
| Internet advertising agency services      | — | provision of internet advertising agency services      |
| Mobile payment technical support services | — | provision of mobile payment technical support services |
| Leather business                          | — | manufacturing and sales of leather products            |

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include other income, (losses)/gains and unallocated corporate expenses. Segment assets do not include unallocated bank and cash balances and unallocated deposits, prepayments and other receivables. Segment liabilities do not include unallocated accruals and other payables and deferred tax liabilities.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

### Segment revenue and results

The following is an analysis of revenue and results by operating segments of the Group:

#### Year ended 30 June 2018

|                                   | Internet<br>advertising<br>agency services<br>HK\$'000 | Mobile payment<br>technical<br>support services<br>HK\$'000 | Leather<br>business<br>HK\$'000 | Total<br>HK\$'000 |
|-----------------------------------|--------------------------------------------------------|-------------------------------------------------------------|---------------------------------|-------------------|
| Revenue                           | 470,344                                                | 55,997                                                      | 60,448                          | 586,789           |
| Cost of sales                     | (261,724)                                              | (7,711)                                                     | (41,994)                        | (311,429)         |
| Gross profit                      | 208,620                                                | 48,286                                                      | 18,454                          | 275,360           |
| Selling and distribution expenses | (4,995)                                                | (746)                                                       | (2,167)                         | (7,908)           |
| Administrative expenses           | (15,773)                                               | (594)                                                       | (15,494)                        | (31,861)          |
| Allowance for doubtful debts      | (1,588)                                                | (3,154)                                                     | (5)                             | (4,747)           |
| Segment results                   | <u>186,264</u>                                         | <u>43,792</u>                                               | <u>788</u>                      | 230,844           |
| Other income, (losses)/gains      |                                                        |                                                             |                                 | 686               |
| Unallocated corporate expenses    |                                                        |                                                             |                                 | <u>(18,782)</u>   |
| Profit before tax                 |                                                        |                                                             |                                 | <u>212,748</u>    |

Year ended 30 June 2017

|                                   | Internet<br>advertising<br>agency services<br><i>HK\$'000</i> | Mobile payment<br>technical<br>support services<br><i>HK\$'000</i> | Leather<br>business<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|-----------------------------------|---------------------------------------------------------------|--------------------------------------------------------------------|----------------------------------------|--------------------------|
| Revenue                           | 6,563                                                         | 1,441                                                              | 54,185                                 | 62,189                   |
| Cost of sales                     | <u>(1,008)</u>                                                | <u>–</u>                                                           | <u>(37,141)</u>                        | <u>(38,149)</u>          |
| Gross profit                      | 5,555                                                         | 1,441                                                              | 17,044                                 | 24,040                   |
| Selling and distribution expenses | (560)                                                         | (123)                                                              | (2,047)                                | (2,730)                  |
| Administrative expenses           | <u>(1,130)</u>                                                | <u>(165)</u>                                                       | <u>(13,995)</u>                        | <u>(15,290)</u>          |
| Segment results                   | <u>3,865</u>                                                  | <u>1,153</u>                                                       | <u>1,002</u>                           | 6,020                    |
| Other income, (losses)/gains      |                                                               |                                                                    |                                        | 1,196                    |
| Unallocated corporate expenses    |                                                               |                                                                    |                                        | <u>(7,964)</u>           |
| Loss before tax                   |                                                               |                                                                    |                                        | <u>(748)</u>             |

#### Segment assets and liabilities

The following is an analysis of the assets and liabilities by operating segments of the Group:

**At 30 June 2018**

|                         | Internet<br>advertising<br>agency services<br><i>HK\$'000</i> | Mobile<br>payment<br>technical<br>support services<br><i>HK\$'000</i> | Leather<br>business<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|-------------------------|---------------------------------------------------------------|-----------------------------------------------------------------------|----------------------------------------|--------------------------|
| Segment assets          | <u>340,081</u>                                                | <u>48,428</u>                                                         | <u>29,183</u>                          | 417,692                  |
| Unallocated assets      |                                                               |                                                                       |                                        | <u>13,915</u>            |
| Consolidated total      |                                                               |                                                                       |                                        | <u>431,607</u>           |
| Segment liabilities     | <u>125,486</u>                                                | <u>1,962</u>                                                          | <u>35,957</u>                          | 163,405                  |
| Unallocated liabilities |                                                               |                                                                       |                                        | <u>7,025</u>             |
| Consolidated total      |                                                               |                                                                       |                                        | <u>170,430</u>           |

At 30 June 2017

|                         | Internet<br>advertising<br>agency services<br><i>HK\$'000</i> | Mobile<br>payment<br>technical<br>support services<br><i>HK\$'000</i> | Leather<br>business<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|-------------------------|---------------------------------------------------------------|-----------------------------------------------------------------------|----------------------------------------|--------------------------|
| Segment assets          | <u>24,466</u>                                                 | <u>3,511</u>                                                          | <u>24,251</u>                          | 52,228                   |
| Unallocated assets      |                                                               |                                                                       |                                        | <u>23,675</u>            |
| Consolidated total      |                                                               |                                                                       |                                        | <u>75,903</u>            |
| Segment liabilities     | <u>2,090</u>                                                  | <u>868</u>                                                            | <u>11,668</u>                          | 14,626                   |
| Unallocated liabilities |                                                               |                                                                       |                                        | <u>1,684</u>             |
| Consolidated total      |                                                               |                                                                       |                                        | <u>16,310</u>            |

**Other segment information**

**Year ended 30 June 2018**

|                                         | Internet<br>advertising<br>agency services<br><i>HK\$'000</i> | Mobile<br>payment<br>technical<br>support services<br><i>HK\$'000</i> | Leather<br>business<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|-----------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------------------|----------------------------------------|--------------------------|
| Additions to segment non-current assets | <b>4,183</b>                                                  | <b>906</b>                                                            | <b>62</b>                              | <b>5,151</b>             |
| Acquisition of a subsidiary             | <b>803</b>                                                    | –                                                                     | –                                      | <b>803</b>               |
| Depreciation                            | <b>791</b>                                                    | <b>65</b>                                                             | <b>145</b>                             | <b>1,001</b>             |

**Year ended 30 June 2017**

|                                         | Internet<br>advertising<br>agency services<br><i>HK\$'000</i> | Mobile<br>payment<br>technical<br>support services<br><i>HK\$'000</i> | Leather<br>business<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|-----------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------------------|----------------------------------------|--------------------------|
| Additions to segment non-current assets | 28                                                            | –                                                                     | 72                                     | 100                      |
| Depreciation                            | 9                                                             | –                                                                     | 165                                    | 174                      |

## Information about major customers

Revenues from external customers contributing over 10% of the total revenue of the Group during the year are as follows:

|                                      | 2018<br>HK\$'000 | 2017<br>HK\$'000 |
|--------------------------------------|------------------|------------------|
| Internet advertising agency services |                  |                  |
| Customer A                           | <u>102,887</u>   | <u>–</u>         |
| Leather business                     |                  |                  |
| Customer B                           | 26,799           | 16,229           |
| Customer C                           | <u>5,054</u>     | <u>6,633</u>     |

## Geographical information

The following tables set out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers is based on the location to which the goods are delivered and services are rendered. The geographical location of non-current assets is based on the physical location of the assets.

### Revenue from external customers

|                                            | 2018<br>HK\$'000 | 2017<br>HK\$'000 |
|--------------------------------------------|------------------|------------------|
| The People's Republic of China (the "PRC") | 426,549          | 8,011            |
| Hong Kong                                  | 101,764          | 5,942            |
| United States of America                   | 33,406           | 755              |
| Australia                                  | 17,534           | 16,081           |
| Malaysia                                   | 4,172            | 30,932           |
| Others ( <i>Note</i> )                     | <u>3,364</u>     | <u>468</u>       |
|                                            | <u>586,789</u>   | <u>62,189</u>    |

*Note:* Other countries mainly included Switzerland, Vietnam, Canada, France, United Kingdom, Portugal, Japan, Singapore, South Africa and New Zealand.

### Non-current assets

|           | 2018<br>HK\$'000 | 2017<br>HK\$'000 |
|-----------|------------------|------------------|
| The PRC   | 7,775            | 1,113            |
| Hong Kong | 650              | 170              |
| Taiwan    | <u>–</u>         | <u>73</u>        |
|           | <u>8,425</u>     | <u>1,356</u>     |

## 5. OTHER INCOME, (LOSSES)/GAINS

|                                       | 2018<br>HK\$'000 | 2017<br>HK\$'000 |
|---------------------------------------|------------------|------------------|
| Interest income                       | 517              | 36               |
| Rental income                         | –                | 12               |
| Exchange gain, net                    | 26               | 125              |
| Gain on bargain purchases             | –                | 1,003            |
| Allowance for doubtful debts          | (4,747)          | –                |
| Gain on disposal of subsidiaries, net | 109              | –                |
| Sundry income                         | 34               | 20               |
|                                       | <u>(4,061)</u>   | <u>1,196</u>     |

## 6. FINANCE COSTS

|                      | 2018<br>HK\$'000 | 2017<br>HK\$'000 |
|----------------------|------------------|------------------|
| Finance lease charge | <u>7</u>         | <u>–</u>         |

## 7. PROFIT/(LOSS) BEFORE TAX

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

|                                                                        | 2018<br>HK\$'000 | 2017<br>HK\$'000 |
|------------------------------------------------------------------------|------------------|------------------|
| Auditors' remuneration                                                 | 1,300            | 830              |
| Depreciation*                                                          | 1,256            | 232              |
| Cost of inventories recognised as expenses (included in cost of sales) | 32,303           | 27,773           |
| Exchange gain, net                                                     | (26)             | (125)            |
| Operating lease rentals in respect of properties                       | 8,700            | 2,611            |
| Loss on disposal of property, plant and equipment                      | 49               | –                |
| Allowance for doubtful debts                                           | <u>4,747</u>     | <u>–</u>         |

\* Included in cost of sales for the years ended 30 June 2018 and 2017 were depreciation charge of approximately HK\$53,000 and HK\$57,000 respectively.

## 8. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as following:

|                                  | <b>2018</b><br><b>HK\$'000</b> | 2017<br>HK\$'000 |
|----------------------------------|--------------------------------|------------------|
| Current income tax:              |                                |                  |
| Hong Kong Profits Tax            | <b>7,727</b>                   | 700              |
| PRC Enterprise Income Tax        | <b>469</b>                     | 1,341            |
|                                  | <b>8,196</b>                   | 2,041            |
| Over-provision in prior years:   |                                |                  |
| Hong Kong Profits tax            | <b>(20)</b>                    | (20)             |
| Deferred tax                     | <b>(8)</b>                     | (9)              |
| Income tax expenses for the year | <b>8,168</b>                   | 2,012            |

Hong Kong Profits Tax has been provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year ended 30 June 2018.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day.

Under the two-tiered profit tax rate regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

PRC Enterprise Income Tax has been provided at a rate of 25% (2017: 25%).

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Enterprise Income Tax Policies for Xinjiang Uygur Autonomous Region and Xinjiang Kashgar Autonomous Region (《財政部、國家稅務總局 關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知》) promulgated by the State Council on 29 November 2011, if a corporate enterprise is newly established within calendar years 2010 to 2020 in two specific regions with business fallen in the scope of the Catalogue of Preferred Enterprise Income Tax for Key Encouraged Industries in Poor Areas of Xinjiang (《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》), the corporate enterprise can enjoy a preferential treatment of 5-year exemption from the first year when the entity begins to generate revenue. Horgos Sifan Information Technology Company Limited\* (霍爾果斯思凡信息科技有限公司) (“Horgos Sifan”), Horgos Xiangjiao Chaoren Information Technology Company Limited\* (霍爾果斯香蕉超人信息科技有限公司) (“Horgos Xiangjiao”) and Horgos Dongrun Network Technology Company Limited\* (霍爾果斯東潤網絡科技有限公司) (“Horgos Dongrun”) are exempted from income tax from calendar years 2017 to 2020 upon approval by the State Taxation Bureau of the Xinjiang Uygur Autonomous Region in 2017.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the product of profit/(loss) before tax multiplied by the income tax rate applicable to respective tax jurisdictions is as follows:

|                                                                        | <b>2018</b><br><b>HK\$'000</b> | 2017<br><i>HK\$'000</i> |
|------------------------------------------------------------------------|--------------------------------|-------------------------|
| Profit/(loss) before tax                                               | <u><b>212,748</b></u>          | <u>(748)</u>            |
| Tax calculated at the rates applicable to respective tax jurisdictions | <b>51,087</b>                  | 150                     |
| Tax effect of income that is not taxable                               | <b>(3,711)</b>                 | (275)                   |
| Tax effect of expenses that are not deductible                         | <b>2,327</b>                   | 1,567                   |
| Over-provision in prior years                                          | <b>(20)</b>                    | (20)                    |
| Tax effect of tax losses not recognised                                | <b>3,992</b>                   | 599                     |
| Effect of tax concession                                               | <b>(45,499)</b>                | –                       |
| Tax effect of temporary differences                                    | <u><b>(8)</b></u>              | <u>(9)</u>              |
| Income tax expenses for the year                                       | <u><b>8,168</b></u>            | <u>2,012</u>            |

## 9. DIVIDENDS

The Directors do not recommend any dividend for the years ended 30 June 2018 and 2017.

## 10. EARNINGS/(LOSSES) PER SHARE

The calculation of the basic earnings/(losses) per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company of approximately HK\$199,455,000 (2017: loss of HK\$2,760,000) and (ii) the number of 400,000,000 shares (2017: the number of 400,000,000 shares) in issue during the year.

The diluted earnings/(losses) per share is equal to the basic earnings/(losses) per share as there were no diluted potential ordinary shares in issue during the years ended 30 June 2018 and 2017.

## 11. TRADE RECEIVABLES

|                                                     | <b>2018</b><br><b>HK\$'000</b> | 2017<br><i>HK\$'000</i> |
|-----------------------------------------------------|--------------------------------|-------------------------|
| Trade receivables                                   | <b>231,091</b>                 | 8,583                   |
| Allowance for doubtful debts ( <i>note 11 (b)</i> ) | <u><b>(4,657)</b></u>          | <u>–</u>                |
|                                                     | <u><b>226,434</b></u>          | <u>8,583</u>            |

The Group's sales of leather products are based on letters of credit and advances before delivery. The Group's trading terms with other customers are mainly on credit. The Group generally allows an average credit period from 7 to 180 days for its internet advertising agency business customers and 30 days for its mobile payment technical support business customers. The Group does not hold any collateral over these balances.

**(a) Ageing analysis**

The ageing analysis of trade receivables, based on the dates on which revenue was recognised, and net of allowance, is as follows:

|                 | <b>2018</b><br><b>HK\$'000</b> | 2017<br><b>HK\$'000</b> |
|-----------------|--------------------------------|-------------------------|
| Within 30 days  | <b>66,533</b>                  | 8,123                   |
| 31 to 60 days   | <b>64,514</b>                  | 258                     |
| 61 to 90 days   | <b>30,772</b>                  | 62                      |
| 91 to 180 days  | <b>57,010</b>                  | 140                     |
| 181 to 365 days | <b>7,555</b>                   | –                       |
| Over 365 days   | <b>50</b>                      | –                       |
|                 | <b>226,434</b>                 | <b>8,583</b>            |

As at 30 June 2018, an allowance was made for estimated irrecoverable trade receivables of approximately HK\$4,657,000 (2017: HK\$Nil).

**(b) Reconciliation of allowance for doubtful debts:**

|                        | <b>2018</b><br><b>HK\$'000</b> | 2017<br><b>HK\$'000</b> |
|------------------------|--------------------------------|-------------------------|
| At 1 July              | –                              | –                       |
| Allowance for the year | <b>4,747</b>                   | –                       |
| Exchange differences   | <b>(90)</b>                    | –                       |
| At 30 June             | <b>4,657</b>                   | –                       |

**(c) Ageing analysis of trade receivables which are past due but not impaired**

As of 30 June 2018, trade receivables of approximately HK\$151,207,000 (2017: HK\$1,578,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

|                 | <b>2018</b><br><b>HK\$'000</b> | 2017<br><b>HK\$'000</b> |
|-----------------|--------------------------------|-------------------------|
| Within 30 days  | <b>67,236</b>                  | 1,185                   |
| 31 to 60 days   | <b>25,598</b>                  | 191                     |
| 61 to 90 days   | <b>41,750</b>                  | 62                      |
| 91 to 180 days  | <b>15,483</b>                  | 140                     |
| 181 to 365 days | <b>1,090</b>                   | –                       |
| Over 365 days   | <b>50</b>                      | –                       |
|                 | <b>151,207</b>                 | <b>1,578</b>            |



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

|                                | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|--------------------------------|--------------------------------|-------------------------|
| HK\$                           | –                              | 145                     |
| United States dollars ("US\$") | <b>25,645</b>                  | 7,475                   |
| Renminbi ("RMB")               | <b>200,789</b>                 | 963                     |
|                                | <u><b>226,434</b></u>          | <u>8,583</u>            |

## 12. TRADE PAYABLES

|                | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| Trade payables | <u><b>79,651</b></u>           | <u>2,271</u>            |

The ageing analysis of trade payables, based on invoice date, is as follows:

|                | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| Within 30 days | <b>38,224</b>                  | 1,703                   |
| 31 to 60 days  | <b>25,171</b>                  | 217                     |
| 61 to 90 days  | <b>3,392</b>                   | 8                       |
| Over 90 days   | <u><b>12,864</b></u>           | <u>343</u>              |
|                | <u><b>79,651</b></u>           | <u>2,271</u>            |

The carrying amounts of the Group's trade payables are denominated in the following currencies:

|      | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|------|--------------------------------|-------------------------|
| US\$ | –                              | 1,139                   |
| RMB  | <b>76,223</b>                  | 778                     |
| HK\$ | <b>3,428</b>                   | 284                     |
| Euro | <u>–</u>                       | <u>70</u>               |
|      | <u><b>79,651</b></u>           | <u>2,271</u>            |

## 13. SHARE CAPITAL

|                                                                                                | <b>Number of<br/>shares<br/>'000</b> | <b>Share capital<br/>HK\$'000</b> |
|------------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------------|
| <b>Authorised:</b>                                                                             |                                      |                                   |
| Ordinary Shares of HK\$0.01 each at 1 July 2016,<br>30 June 2017, 1 July 2017 and 30 June 2018 | <u>4,000,000</u>                     | <u>40,000</u>                     |
| <b>Issued and fully paid:</b>                                                                  |                                      |                                   |
| Ordinary Shares of HK\$0.01 each at 1 July 2016,<br>30 June 2017, 1 July 2017 and 30 June 2018 | <u>400,000</u>                       | <u>4,000</u>                      |

## FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 30 June 2018 (2017: HK\$Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Introduction

The Group is an integrated company specialising in (i) internet advertising agency services; (ii) mobile payment technical support services; and (iii) the manufacture and sales of leather products for its customers.

### Business Review

#### *Internet Advertising Agency Services*

The Internet has powered transformation and innovation of traditional sectors, driven by the improving telecommunication infrastructure, the growing internet user base and the introduction of the “Internet Plus” plan. Internet advertising, a booming sector combining advertising and the internet, has attracted an increasing number of advertisers by its distinctiveness such as broad audience, high accuracy and strong interaction. It has become a key advertising channel for advertisers, as demonstrated by the surging market size of internet marketing. According to *China Internet Advertising Market Trend Forecast 2017–2019* (《中國互聯網廣告市場趨勢預測2017–2019》) published by Analysys in 2018, the online advertising market size of the PRC reached RMB301 billion in 2017, representing a year-on-year increase of 17.9%. In 2017, the mobile marketing market size of the PRC reached RMB247.094 billion, representing a year-on-year increase of 48.5%, which was significantly ahead of the entire Internet advertising market. It is estimated that the Internet advertising market size of the PRC will reach RMB350.9 billion in 2018, representing a year-on-year increase of 16.6%. Mobile programmatic marketing, pan-entertainment marketing and we-media community marketing are expected to become the main stream of mobile marketing in the next few years.

During the year, the Group successfully entered the domestic internet advertising market through its wholly-owned subsidiary, Horgos Dongrun Network Technology Company Limited\* (霍爾果斯東潤網絡科技有限公司) (“Horgos Dongrun”). Horgos Dongrun, an internet advertising service provider empowered by its self-developed DSP system, is committed to providing advertisers with accurate programmatic advertising services through marketing planning, media agency and programmatic purchase and data analysis. Focusing on internet advertising services, the company acquires media resources and services through purchase or exchange, and offers integrated and optimised media resources to advertisers to meet their marketing needs. Its internet-focused customer base includes Tencent, Jinri Toutiao (今日頭條), Meituan Dianping (美團點評), Alibaba (阿里巴巴), Baidu (百度), among other well-known names, in a wide range of segments such as e-commerce, online tourism, game, video, dating and automobile. During the year, Horgos Dongrun achieved an operating income of approximately HK\$324,000,000.

During the year, the Group extended its presence in the mobile internet advertising market through its wholly-owned subsidiaries, Shenzhen Ai Wan Yue Technology Company Limited\* (深圳愛玩悅科技有限公司) and Horgos Sifan Information Technology Company Limited\* (霍爾果斯思凡信息科技有限公司) (collectively, referred as “Ai Wan Yue”). Ai Wan Yue mainly provides customers with App Stores optimisation services based on its proprietary technology, including improvement of App placements at App Stores, and provides customers with optimisation services of keyword search ranking and marketing services. During the year, Ai Wan Yue recorded an operating income of approximately HK\$35,000,000.

During the year, the Group successfully expanded its overseas internet advertising market through its wholly-owned subsidiary, Million Stars Internet Media Limited (“MSIM”). Through its proprietary internet advertising platform as well as global mainstream online platforms such as Facebook and Yahoo, MSIM provides customers with access to global advertising, including big data support, integrated marketing solutions, localisation support and account stabilisation services. During the year, MSIM recorded an operating income of approximately HK\$100,000,000.

#### *Mobile Payment Technical Support Services*

Shenzhen Xiangjiao Huyu Technology Limited\* (深圳市香蕉互娛科技有限公司) and Horgos Xiangjiao Chaoren Information Technology Limited\* (霍爾果斯香蕉超人信息科技有限公司), wholly-owned subsidiaries of the Group, focus on providing one-stop mobile payment solutions for internet players. Accordingly, merchants can have a quick access to Alipay, WeChat, UnionPay and other payment channels. During the year, the Group’s technical support services on mobile payment contributed a revenue of approximately HK\$56,000,000.

#### *Leather Business*

The Group is engaged in manufacturing and sales of leather products through its wholly-owned subsidiaries, Perline Company Limited (柏麗發展有限公司) and Foshan Nanhai Shengli Leather Garment Co. Ltd.\* (佛山市南海盛麗皮衣有限公司), and most of its major customers are middle to high-end leather fashion brands. The order volume and sales revenue from the Group’s customers of international fashion brands increased by approximately 11.1% as compared to last year. During the year, the sales revenue from leather products amounted to approximately HK\$60,000,000.

#### **Outlook**

Looking ahead, the Group will seize the opportunities in the booming internet advertising sector to step up investments in internet advertising, seeking to tap on new customers, businesses and revenue streams for delivering better returns to its shareholders.

## Financial Review

### *Overview*

During the year, the revenue of the Group recorded an increase of approximately 843% from approximately HK\$62.2 million for the year ended 30 June 2017 (“FY 2017”) to approximately HK\$586.8 million for the year ended 30 June 2018 (“FY 2018”). This is mainly due to the entering of the new business segments during the current year.

During FY 2018, the Group recorded a profit after tax of approximately HK\$204.6 million, represented an increase of approximately HK\$207.4 million as compared with the loss after tax of approximately HK\$2.8 million in FY 2017. This is mainly attributable to the significant growth in revenue and high profit margins of new business segments.

### *Gross Profit*

Gross profit margin in FY 2018 was approximately 46.9% which represented an increase of approximately 8.2% from the gross profit margin in FY 2017 of approximately 38.7%. This was mainly attributable to a higher gross profit of the new business segments during the current year.

### *Other Income, (Losses)/Gains*

Other income and (losses)/gains, mainly represents sundry income incidental to our business, principally including interest income, income from sales of scrap materials, net exchange differences, gain on disposal of subsidiaries and allowance for doubtful debts.

Other income and other (losses)/gains, amounted to net losses of HK\$4.1 million in FY 2018 compared to net gains HK\$1.2 million in FY 2017. The decrease was mainly due to allowance for doubtful debts of HK\$4.7 million in FY 2018.

### *Selling and Distribution Expenses*

Selling and distribution expenses mainly comprise logistic expenses and marketing expenses. Selling and distribution expenses increased from approximately HK\$2.7 million in FY 2017 to approximately HK\$7.9 million in FY 2018, representing an increase of approximately HK\$5.2 million mainly incurred for internet advertising agency and mobile payment technical support services.

### *Administrative Expenses*

Administrative expenses mainly comprise payroll expenses, rent and rates and other office administrative expenses. Administrative expenses increased from approximately HK\$23.3 million in FY 2017 to approximately HK\$50.6 million in FY 2018, representing an increase of approximately 117.2%.

The higher administrative expenses in FY 2018 were mainly attributable to an increase in salaries and wages, office administrative expenses for internet advertising agency and mobile payment technical support services.

### *Finance Costs*

Finance costs amounted to HK\$7,000 in FY 2018, while there was no finance cost in FY 2017.

### *Income tax expense*

Income tax represents Hong Kong profits tax at 16.5% for the Company's subsidiaries in Hong Kong and PRC Enterprise Income Tax at 25% for the Company's subsidiary in Foshan, the PRC. Certain subsidiaries of the Company, which we incorporated in the Horgos Economic Development Zone and engaged in industries particularly encouraged by the local government, are entitled to a preferential tax treatment of exemption from enterprise income tax before the end of 2020.

### *Financial Position, Liquidity and Financial Resources*

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and cash is generally deposited with banks in Hong Kong and Mainland China.

The Group has maintained its funds at a sound and healthy financial resource level during the year under review. As at 30 June 2018, included in net current assets were bank and cash balances (including pledged bank deposits) totalling approximately HK\$114.5 million (2017: HK\$42.6 million), the increase of which was mainly due to retained profits.

The Group's outstanding finance lease obligation as at 30 June 2018 amounting to HK\$0.5 million (30 June 2017: HK\$Nil) was principally denominated in RMB and carried at fixed interest rates. The Group monitored capital using gearing ratio, which is total debt of the Group divided by total equity of the Group. Total debt to equity ratio of the Group expressed as a percentage of interest bearing borrowings over the total equity was approximately 0.19% as at 30 June 2018 (30 June 2017: Nil).

There was no seasonality as to the Group's borrowing requirements and no committed borrowing facilities.

The Company has adequate internal financial resource to support the development of the Group in the coming year.

### *Charge Over Assets of the Group*

As at 30 June 2018, the Group's banking facilities were supported by pledged bank deposits of the Group of approximately HK\$1.0 million (2017: HK\$1.0 million).

### *Financial Management Policies*

The Group in its ordinary course of business is exposed to market risks such as foreign currency risk and interest rate risk. The Group's risk management strategy aims to minimise the adverse effects of these risks on its financial performance.

Cash is generally deposited with banks in Hong Kong and Mainland China, which are denominated mostly in United States dollars, Hong Kong dollars and Renminbi. Hong Kong dollars are pegged to United States dollars under the current policy of the Government of Hong Kong.

As the Group's trading transactions, monetary assets and liabilities in Mainland China are denominated mainly in Renminbi, and trading transactions, monetary assets and liabilities in Hong Kong and overseas are denominated mainly in Hong Kong dollars (being the Group's operating and reporting currencies) and United States dollars (to which Hong Kong dollars was pegged), the impact of foreign exchange exposure to the Group was minimal and the changes in foreign exchange rates did not have a significant adverse effect on normal operations during the reporting year.

With the current interest rates staying at relatively low levels, the Group has not entered into any interest rate hedging contract or any other interest rate related derivative financial instrument (2017: Nil). However, the Group continues to monitor its related interest rate exposure closely.

#### *Capital Commitments and Contingent Liabilities*

As at 30 June 2018, the Group did not have any significant capital commitment (2017: Nil) and contingent liability (2017: Nil).

#### *Risk management and uncertainties*

The Board believes that risk management is essential to the Group's efficient and effective operation. The Group's management assists the Board in periodic evaluation of principal risks exposed to the Group and estimation made for the uncertainties; and participates in formulating appropriate risk management and internal control measures for the purpose of on-going monitoring of such risks and assessing the appropriateness of such estimations.

#### **Material Acquisitions and Disposals**

On 5 September 2017, Beijing Dongrun Xindong Technology Limited\* ("Dongrun Xindong") (北京東潤欣動科技有限公司), an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with the vendors, pursuant to which Dongrun Xindong has agreed to acquire and the vendors have agreed to sell, the entire equity interests in and all the assets of Beijing Dongrun Hudong Technology Company Limited\* ("Dongrun Hudong") (北京東潤互動科技有限公司) at a total consideration of RMB2,000,000. The acquisition was completed.

During the FY 2018, the Group did not have any material disposal.

## **Employees and Remuneration Policy**

As at 30 June 2018, the Group had a workforce of 188 employees (2017: 191). Total staff costs for FY 2018 were approximately HK\$34.4 million, represented an increase of approximately HK\$14.7 million as compared to that for FY 2017. The increase in staff costs was mainly due to the entering of new business segments during the year.

The emolument policy of the employees of the Group is formulated by the Remuneration Committee (as defined below) with reference to the duties, responsibilities, experience and competence of individual employees. The same policy also applies to the Directors. In addition to salaries and discretionary bonuses relating to the performance of the Group, employee benefits included pension scheme contributions. The emoluments of the Directors are reviewed annually by the remuneration committee (“Remuneration Committee”).

As incentives and rewards for their contributions to the Group, the employees of the Group and all the Directors (including the independent non-executive Directors) may also be granted share options by the Company from time to time pursuant to the share option scheme of the Company adopted on 28 January 2015.

The Group provides various training to its employees to enhance their technical skills and knowledge relevant to the employees’ responsibilities. The Group also provides its employees with quality control standards and work safety standards training to enhance their safety awareness.

During the year under review, the Group did not experience any strikes, work stoppages or significant labour disputes which affected its operations in the past and it did not experience any significant difficulties in recruiting and retaining qualified staff. The Directors consider that the Group has maintained good working relationship with its employees.

## **DIRECTORS AND CONTROLLING SHAREHOLDERS’ INTEREST IN COMPETING BUSINESS**

During the FY 2018, the Directors are not aware of any business or interest of the Directors or the controlling shareholders of the Company that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with Group.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the FY 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.



## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions and dealing (the “Code of Conduct”) by Directors on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Model Code”). The Company has made specific enquiry of all Directors as to whether they have complied with the required standard set out in the Model Code and the Code of Conduct during the year ended 30 June 2018.

All the Directors have confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct throughout the year ended 30 June 2018.

## CORPORATE GOVERNANCE CODE

During the year ended 30 June 2018, the Group is in compliance with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules, except the provisions detailed below:

|       | <b>Code Provision</b>                                                                                                    | <b>Deviation</b>                                                                                                                                       | <b>Considered Reason for Deviation</b>                                                                                                                                                                                                                                                     |
|-------|--------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A.2.1 | The roles of chairman and chief executive officer should be separate and should not be performed by the same individual. | Mr. Zhu Yongjun, the chairman (“Chairman”) of the Company, took up the role of chief executive officer (“CEO”) from 17 March 2017 to 4 September 2017. | Mr. Zhu Yongjun has stepped down as the CEO on 5 September 2017 and remains as the Chairman of the Company while Ms. Wang Fei was appointed as CEO of the Company on 5 September 2017. Therefore, there is no deviation from the Code Provision A.2.1 as at the date of this announcement. |



|       | <b>Code Provision</b>                                                                                                                                                                                                                                                                                                                 | <b>Deviation</b>                                                                                                                                                                                    | <b>Considered Reason for Deviation</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A.7.1 | Board meeting papers should be sent, in full, to all directors at least 3 days before the intended date of meeting.                                                                                                                                                                                                                   | During the year ended 30 June 2018, certain ad hoc Board meetings were held and the relevant board meeting papers were sent to all Directors less than 3 days before the date of the Board meeting. | The Board members of the Company were informed by the management of the Company by email, by WeChat or by phone on the updated information of proposed ad hoc projects/ transaction to be entered by the Company from time to time. Although the meeting papers could not be sent to the directors at least 3 days, the Board members still have sufficient information to discuss the matters on proposed projects or transactions of the Company on time. The Board had recruited additional staff to improve the situation and meets the requirements of Code Provision A.7.1. |
| C.1.2 | Management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules. | The management did not provide the Directors with monthly updates during the period from July to October 2017.                                                                                      | The management has provided the Directors with monthly updates since November 2017. There is no deviation from the Code Provision C.1.2 as at the date of this announcement.                                                                                                                                                                                                                                                                                                                                                                                                      |

## AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has been established in accordance with the GEM Listing Rules. Members of the Audit Committee comprise Mr. Chen Ce (Chairman), Ms. Chen Feng and Mr. Gao Shuo, all of them being INEDs. The Audit Committee has reviewed with the management this announcement, the accounting principles and practices adopted by the Group, financial reporting matters including a review of the consolidated results for the year ended 30 June 2018 prior to recommending them to the Board for approval.

## PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 30 June 2018 have been agreed by the Company's auditors, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 June 2018. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

By Order of the Board  
**Million Stars Holdings Limited**  
**Zhu Yongjun**  
*Chairman*

Hong Kong, 21 September 2018

*As at the date hereof, the Board comprises Mr. Zhu Yongjun, Ms. Wang Fei and Ms. Tian Yuan as executive Directors; Mr. Chong Ka Yee as non-executive Director; and Mr. Chen Ce, Ms. Chen Feng and Mr. Gao Shuo as independent non-executive Directors.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the day of its publication and on the website of the Company at <http://www.millionstars.hk>.*

\* *for identification only*