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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 2017**

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

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

Given the emerging nature of 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 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 2017, together with the audited comparative figures for the year ended 30 June 2016 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 2017

	<i>Notes</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Revenue	4	62,189	55,847
Cost of sales		(38,149)	(35,130)
Gross profit		24,040	20,717
Other income, gain/(losses)	5	1,196	289
Selling and distribution expenses		(2,730)	(2,379)
Administrative expenses		(23,254)	(14,439)
(Loss)/profit before tax	6	(748)	4,188
Income tax expense	7	(2,012)	(361)
(Loss)/profit for the year attributable to owners of the Company		(2,760)	3,827
Other comprehensive income			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		481	92
Other comprehensive income for the year, net of tax		481	92
Total comprehensive income for the year attributable to owners of the Company		(2,279)	3,919
(Loss)/earnings per share	9		
Basic and diluted (HK cents)		(0.69)	0.96

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Property, plant and equipment		1,203	498
Goodwill		153	–
		1,356	498
Current assets			
Inventories		7,622	6,202
Trade receivables	10	8,583	9,476
Deposits, prepayments and other receivables		14,242	1,571
Current tax assets		1,485	–
Bank and cash balances		41,567	48,988
Pledged bank deposits		1,048	3,031
		74,547	69,268
Current liabilities			
Trade payables	11	2,271	1,496
Accruals, other payables and trade deposits received		12,309	5,179
Current tax liabilities		1,717	1,197
		16,297	7,872
Net current assets		58,250	61,396
Total assets less current liabilities		59,606	61,894
Non-current liabilities			
Deferred tax liabilities		13	22
NET ASSETS		59,593	61,872
Capital and reserves			
Share capital	12	4,000	4,000
Reserves		55,593	57,872
TOTAL EQUITY		59,593	61,872

Notes:

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 the Growth Enterprise Market 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 engaged in manufacturing and sales of leather products and promotion of online game and related services and technical support of apps and web.

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 the Growth Enterprise Market 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 2016. Of these, the following new or revised HKFRSs are relevant to the Group:

Amendments to HKAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to HKAS 1 clarify, rather than significantly change, existing HKAS 1 requirements. The amendments clarify various presentation issues relating to:

- Assessment of materiality versus minimum disclosure requirements of a standard.
- Disaggregation of specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position. There is also new guidance on the use of subtotals.
- Confirmation that the notes do not need to be presented in a particular order.
- Presentation of other comprehensive income items arising from equity-accounted associates and joint ventures.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

(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 2016. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 2 Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKFRS 4: Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 16 Leases	1 January 2019
Amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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. As the Group has not completed its assessment, further impacts may be identified in due course.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantify the impact until a more detailed assessment is completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

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.

The Group's office/production property 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/production properties amounted to HK\$2,006,000 as at 30 June 2017. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

4. REVENUE AND OPERATING SEGMENT INFORMATION

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

	2017 HK\$'000	2016 HK\$'000
Sales of leather products	54,185	55,847
Promotion of mobile game services	6,563	—
Provision of technical support services	1,441	—
	<u>62,189</u>	<u>55,847</u>

The Group has two operating segments as follows:

- Leather business — manufacturing and sales of leather products
- Online business support service — promotion of online game and related services and technical support of apps and web

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, gain/(losses) and unallocated corporate expenses. Segment assets do not include unallocated bank and cash balances, goodwill 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 segment of the Group:

Year ended 30 June 2017

	Leather business <i>HK\$'000</i>	Online business support service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	54,185	8,004	62,189
Cost of sales	(37,141)	(1,008)	(38,149)
Gross profit	17,044	6,996	24,040
Selling and distribution expenses	(2,047)	(683)	(2,730)
Administrative expenses	(13,995)	(1,295)	(15,290)
Segment results	1,002	5,018	6,020
Other income, gain/(losses)			1,196
Unallocated corporate expenses			(7,964)
Loss before tax			(748)

Year ended 30 June 2016

	Leather business <i>HK\$'000</i>	Online business support service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	55,847	–	55,847
Cost of sales	(35,130)	–	(35,130)
Gross profit	20,717	–	20,717
Selling and distribution expenses	(2,379)	–	(2,379)
Administrative expenses	(13,707)	–	(13,707)
Segment results	4,631	–	4,631
Other income, gain/(losses)			289
Unallocated corporate expenses			(732)
Profit before tax			4,188

Segment assets and liabilities

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

At 30 June 2017

	Leather business <i>HK\$'000</i>	Online business support service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>24,251</u>	<u>27,977</u>	52,228
Unallocated assets			<u>23,675</u>
Consolidated total			<u>75,903</u>
Segment liabilities	<u>11,668</u>	<u>2,958</u>	14,626
Unallocated liabilities			<u>1,684</u>
Consolidated total			<u>16,310</u>

At 30 June 2016

	Leather business <i>HK\$'000</i>	Online business support service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>69,674</u>	<u>–</u>	69,674
Unallocated assets			<u>92</u>
Consolidated total			<u>69,766</u>
Segment liabilities	<u>7,772</u>	<u>–</u>	7,772
Unallocated liabilities			<u>122</u>
Consolidated total			<u>7,894</u>

Other segment information

Year ended 30 June 2017

	Leather business <i>HK\$'000</i>	Online business support service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to segment non-current assets	72	28	100
Depreciation	165	9	174

Year ended 30 June 2016

	Leather business <i>HK\$'000</i>	Online business support service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to segment non-current assets	336	–	336
Depreciation	125	–	125
Loss on disposal of property, plant and equipment	11	–	11
Bad debts written off	89	–	89

Information about major customers

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Leather business		
Customer A	16,229	10,012
Customer B	<u>6,633</u>	<u>6,521</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. The geographical location of non-current assets is based on the physical location of the assets.

Revenue from external customers

	2017 HK\$'000	2016 <i>HK\$'000</i>
Malaysia	30,932	6,429
Australia	16,081	20,909
PRC	8,011	150
Hong Kong	5,942	6,032
United States of America	755	20,340
Japan	–	932
South Africa	–	708
Others (<i>Note</i>)	468	347
	62,189	55,847

Note: Other countries mainly included Switzerland, Vietnam, Canada, France, United Kingdom, Portugal, Indonesia and New Zealand.

Non-current assets

	2017 HK\$'000	2016 <i>HK\$'000</i>
PRC	1,113	292
Hong Kong	170	206
Taiwan	73	–
	1,356	498

5. OTHER INCOME, GAIN/(LOSSES)

	2017 HK\$'000	2016 <i>HK\$'000</i>
Interest income	36	226
Rental income	12	–
Sales of scrap materials	–	63
Exchange gain, net	125	–
Gain on bargain purchases	1,003	–
Others	20	–
	1,196	289

6. (LOSS)/PROFIT BEFORE TAX

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

	2017 HK\$'000	2016 <i>HK\$'000</i>
Auditors' remuneration	830	560
Depreciation*	232	125
Cost of inventories recognised as expenses (included in cost of sales)	27,773	27,916
Exchange (gain)/losses, net	(125)	49
Operating lease rentals in respect of properties	2,611	1,451
Loss on disposal of property, plant and equipment	–	11
Impairment loss on trade receivables	–	89
	<u> </u>	<u> </u>

* Included in cost of sales for the years ended 30 June 2017 and 2016 were depreciation charge of approximately HK\$57,000 and HK\$53,000 respectively.

7. INCOME TAX EXPENSE

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

	2017 HK\$'000	2016 <i>HK\$'000</i>
Current income tax:		
Hong Kong Profits Tax	700	808
PRC Enterprise Income Tax	1,341	27
	<u>2,041</u>	<u>835</u>
Over-provision in prior years:		
Hong Kong Profits tax	(20)	(490)
Deferred tax	<u>(9)</u>	<u>16</u>
Income tax expenses for the year	<u>2,012</u>	<u>361</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year ended 30 June 2017.

PRC Enterprise Income Tax has been provided at a rate of 25% (2016: 25%).

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 (loss)/profit before tax multiplied by the income tax rate applicable to respective tax jurisdictions is as follows:

	2017 HK\$'000	2016 <i>HK\$'000</i>
(Loss)/profit before tax	<u>(748)</u>	<u>4,188</u>
Tax calculated at the rates applicable to respective tax jurisdictions	150	664
Tax effect of income that is not taxable	(275)	(55)
Tax effect of expenses that are not deductible	1,567	226
Over-provision in prior years	(20)	(490)
Tax effect of tax losses not recognised	599	–
Tax effect of temporary differences	<u>(9)</u>	<u>16</u>
Income tax expenses for the year	<u>2,012</u>	<u>361</u>

8. DIVIDENDS

The Directors do not recommend any dividend for the years ended 30 June 2017 and 2016.

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to owners of the Company was based on (i) the loss attributable to owners of the Company of approximately HK\$2,760,000 (2016: profit of HK\$3,827,000) and (ii) the number of 400,000,000 shares (2016: the number of 400,000,000 shares) in issue during the year.

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no diluted potential ordinary shares in issue during the years ended 30 June 2017 and 2016.

10. TRADE RECEIVABLES

	2017 HK\$'000	2016 <i>HK\$'000</i>
Trade receivables	<u>8,583</u>	<u>9,476</u>

Majority of the Group's sales are based on letters of credit and advances before delivery, and the remaining sales are made with credit terms mainly ranging from 14 to 30 days (2016: 10 to 45 days). The Group does not hold any collateral over these balances.

Ageing analysis

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

	2017 HK\$'000	2016 <i>HK\$'000</i>
Within 30 days	8,123	8,437
31 to 60 days	258	543
61 to 90 days	62	141
Over 90 days	<u>140</u>	<u>355</u>
	<u>8,583</u>	<u>9,476</u>

Ageing analysis of trade receivables which are past due but not impaired

As of 30 June 2017, trade receivables of HK\$1,578,000 (2016: HK\$2,250,000) 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:

	2017 HK\$'000	2016 HK\$'000
Within 30 days	1,185	1,695
31 to 60 days	191	59
61 to 90 days	62	141
Over 90 days	140	355
	<u>1,578</u>	<u>2,250</u>

During the year ended 30 June 2017, the trade receivables of HK\$Nil (2016: HK\$89,000) was considered uncollectible. The amount was written off and charged to profit or loss.

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

	2017 HK\$'000	2016 HK\$'000
HK\$	145	194
US\$	7,475	9,282
RMB	963	–
	<u>8,583</u>	<u>9,476</u>

11. TRADE PAYABLES

	2017 HK\$'000	2016 HK\$'000
Trade payables	<u>2,271</u>	<u>1,496</u>

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

	2017 HK\$'000	2016 <i>HK\$'000</i>
Within 30 days	1,703	94
31 to 60 days	217	1,202
61 to 90 days	8	21
Over 90 days	343	179
	<u>2,271</u>	<u>1,496</u>

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

	2017 HK\$'000	2016 <i>HK\$'000</i>
US\$	1,139	327
RMB	778	945
HK\$	284	222
Euro	70	2
	<u>2,271</u>	<u>1,496</u>

12. SHARE CAPITAL

	Number of shares '000	Share capital <i>HK\$'000</i>
Authorised:		
Ordinary Shares of HK\$0.01 each at 1 July 2015		
30 June 2016, 1 July 2016 and 30 June 2017	<u>4,000,000</u>	<u>40,000</u>
Issued and fully paid:		
Ordinary Shares of HK\$0.01 each at 1 July 2015		
30 June 2016, 1 July 2016 and 30 June 2017	<u>400,000</u>	<u>4,000</u>

FINAL DIVIDEND

The Directors do not recommend payment of any final dividend for the year ended 30 June 2017. The Company has not declared any dividend since its incorporation.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Overview

The Company is an investment holding company. Its subsidiaries used to be principally engaged in manufacturing and sales of leather garment products to renowned customers based in the United States of America, Australia, Malaysia, Hong Kong and the People's Republic of China (the "PRC"). But in the current year, through the acquisition of subsidiaries, the Company has expanded to become an integrated company also specializing in providing technical support on mobile payment to customers based in the PRC.

During the year, the revenue of the Group recorded an increase of approximately 11.4% from approximately HK\$55.8 million for the year ended 30 June 2016 ("FY 2016") to approximately HK\$62.2 million for the year ended 30 June 2017 ("FY 2017"). This is mainly due to the entering of the new business segment of the Group during the current year.

During FY 2017, the Group recorded a loss after tax of approximately HK\$2.8 million, represented a decrease of approximately HK\$6.6 million as compared with the profit after tax of approximately HK\$3.8 million for FY 2016. This is mainly attributable to the non-recurring professional expenses associated with the general offer and new office setup cost.

Gross Profit

Gross profit margin for FY 2017 was approximately 38.6% which represented an increase of approximately 1.5% from the gross profit margin in FY 2016 of approximately 37.1%. This was mainly attributable to a higher gross profit of the new business segment of the Group during the current year.

Other Income, Gain/(Losses)

Other income, gain/(losses) mainly represent gain on bargain purchase.

Other income, gain/(losses) increased from approximately HK\$0.3 million for FY 2016 to approximately HK\$1.2 million for FY 2017, representing an increase of approximately HK\$0.9 million.

Selling and Distribution Expenses

Selling and distribution expenses mainly comprise logistic expenses and marketing expenses. Selling and distribution expenses increased from approximately HK\$2.4 million for FY 2016 to approximately HK\$2.7 million for FY 2017, representing an increase of approximately HK\$0.3 million which was in line with the increase in revenue.

Administrative Expenses

Administrative expenses mainly comprise payroll expenses, rent and rates and other office administrative expenses. Administrative expenses increased from approximately HK\$14.4 million in FY 2016 to approximately HK\$23.3 million in FY 2017, representing an increase of approximately 61.0%.

The higher administrative expenses for FY 2017 was mainly attributable to the non-recurring professional expense and new office set up cost.

Finance Costs

For both FY 2017 and FY 2016, there were no finance costs incurred.

Taxation

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 subsidiaries in the PRC.

Higher effective tax rate for FY 2017 than that for FY 2016 was recorded because the professional fee expenses which were only incurred in FY 2017 mainly consisted certain expenditures which may not be tax deductible, newly acquired companies made profits and provisions were made for the PRC enterprise income tax.

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 the PRC.

The Group has maintained its funds at a sound and healthy financial resource level during the year under review. As at both 30 June 2017 and 2016, the Group did not have any outstanding bank borrowings. There was no seasonality as to the Group's borrowing requirements and no committed borrowing facilities.

As at 30 June 2017, included in net current assets were bank and cash balances (including pledged bank deposits) totalling approximately HK\$42.6 million (2016: HK\$52.0 million), the decrease of which was mainly due to increase in prepayment and other receivables.

No gearing ratio (which is calculated by dividing the net debt by total equity where net debt comprises borrowings less cash and bank balances) was presented as the Group did not have net debt as at both 30 June 2017 and 2016.

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 2017, the Group's banking facilities were supported by pledged bank deposits of the Group of approximately HK\$1.0 million (2016: HK\$3.0 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 at banks in Hong Kong and the PRC and denominated mostly in Hong Kong dollar, United States dollar and Renminbi. As at 30 June 2017, no related hedges were made by the Group (2016: nil).

As most of the Group's trading transactions, monetary assets and liabilities are denominated in United States dollar, Renminbi and Hong Kong dollar, the impact of foreign exchange exposure to the Group during FY 2017 was minimal and there was no significant adverse effect on normal operations.

Capital Commitments and Contingent Liabilities

As at 30 June 2017, the Group did not have any significant capital commitment (2016: nil) and contingent liability (2016: 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

Except for the acquisition of new business segment in current year, the Group did not have any material acquisition and disposal during both FY 2017 and FY 2016.

Business Review and Outlook

During the current year, the Group has expanded to become an integrated company specialising in i) manufacture and sales of private label leather garments for its customers on original equipment manufacturer basis and ii) providing technical support on mobile payment.

For the manufacturing and sales of leather garment business, major customers are mostly fashion brands with price range of leather garments fall under the high-end and middle-end categories. During FY 2017, there was a drop in order quantity from its international fashion brand customers. The Directors believe this is mainly attributable to the softer confidence of the Group's customers in forward prediction due to the sluggish luxury retail market and the instability of the global economy.

Nevertheless, the Group has never stopped its efforts in market developments. It has strengthened its marketing activities by paying more visits to its customers and invested in development of pre-production sampling and production techniques. During FY 2017, the Group successfully gained four new customers.

For the new business of providing technical support on mobile payment in the PRC, the Directors believe that the demand for this service is expected to be strong in future to cope with the rapid development of mobile payment in the PRC.

During FY 2017, the Group has also reported an increase in administrative expenses mainly due to the increase in professional fees associated with the general offer and the office set-up cost. The increase in administrative expenses resulted in operating loss as compared to the operating profit in last year.

Currently, the Group sees that customers' confidences on market trend are still on the weak side. Nevertheless, the Group will continue to strengthen its marketing efforts and its investments in technical research and development and product quality controls to ensure a high standard of quality will be offered to its customers. The Group is confident that it will continue to enjoy its customers' support and gain more orders when the market recovers.

Looking forward, the Group does not have any concrete plan for material investments or capital assets in the near future. Nonetheless, if potential investment opportunity arises which fits the Group's development strategy, the Group will consider such opportunity for the overall benefits to the Group and the Company's shareholders (the "Shareholders") as a whole.

Employees and Remuneration Policy

As at 30 June 2017, the Group had a workforce of 191 employees (2016: 130). The increase in number of employees was mainly due to the diversification of the Group's business. As a result, total staff costs for FY 2017 were approximately HK\$19.7 million, represented an increase of approximately HK\$4.4 million as compared to that for FY 2016.

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 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the FY 2017.

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 2017.

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 2017.

CORPORATE GOVERNANCE CODE

During the year ended 30 June 2017, 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:

	Code Provision	Deviation	Considered Reason for Deviation
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 of the date of this preliminary announcement.
A.7.1	Board meetings papers should be sent, in full, to all directors at least 3 days before the intended date of meeting.	During the year, 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 information to discuss the matters on proposed projects or transactions of the Company. The Board will use its best efforts to meet the requirements of Code Provision A7.1. in future.

	Code Provision	Deviation	Considered Reason for Deviation
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.	During the year, management did not provide monthly update with the Directors regularly.	As all the executive Directors were involved in the daily operation of the Group and were fully aware of the performance, position and prospects of the Company, and the management has provided to all Directors (including non-executive Directors and independent non-executive Directors ("INEDs")) quarterly updates that provide a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail prior to the regular board meetings of the Company. In addition, the management of the Company has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board. Therefore, the Company considers that all members of the Board have been given a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail.

CHANGE OF DIRECTORS' INFORMATION

Upon specific enquiry by the Company and following confirmations from Directors, save as otherwise set out in this announcement, there is no change in the information of the Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules since the Company's last published interim report. The change of Directors' information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules is set out below:

1. Mr. Zhu Yongjun stepped down as the Chief Executive Officer (the "CEO") on 5 September 2017.
2. Ms. Wang Fei was appointed as the executive Director and CEO of the Company on 5 September 2017.
3. Mr. Tang Yau Sing has resigned as a member of the Corporate Governance Committee (the "CG Committee") of the Company with effect from 5 September 2017.

4. Ms. Wang Fei was appointed as a member of the CG Committee of the Company with effect 5 September 2017.
5. Mr. Tang Yau Sing was appointed as the company secretary of Pearl Oriental Oil Limited, a company listed on the main board of the Stock Exchange (Stock Code: 632), on 16 August 2017.
6. Mr. Chui Man Lung, Everett has resigned as a director of China Ocean Fishing Holdings Limited, a company listed on GEM of the Stock Exchange (Stock Code: 8047), on 16 May 2017.

AUDIT COMMITTEE

The audit committee of the Company (“Audit Committee”) has been established in accordance with the GEM Listing Rules and comprises Mr. Chui Man Lung Everett (chairman of the Audit Committee), Mr. Cheung Kam Tong Antonio and Mr. Han Chu, all of them are independent non-executive Directors. The primary duties of the Audit committee are to review and supervise the financial reporting process, risk management and internal control system of the Group, and to review the Company’s annual report and to provide advice and comments thereon to the Board.

The Audit Committee has reviewed and approved the Group’s audited results for the year ended 30 June 2017. The results have been audited by RSM Hong Kong, the auditors of the Company.

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 2017 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 2017. 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, 26 September 2017

As at the date hereof, the Board comprises Mr. Zhu Yongjun, Ms. Wang Fei, Mr. Tang Yau Sing and Ms. Tian Yuan as executive Directors; and Mr. Cheung Kam Tong Antonio, Mr. Chui Man Lung Everett and Mr. Han Chu 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>.