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Million Stars

MILLION STARS HOLDINGS LIMITED

萬星控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8093)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 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.

INTERIM RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2017 (UNAUDITED)

The board (the “Board”) of Directors of Million Stars Holdings Limited is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2017, together with the unaudited comparative figures for the corresponding period in 2016 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2017

	Notes	Six months ended 31 December 2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
REVENUE	2	195,431	24,065
Cost of sales		(108,235)	(15,575)
Gross profit		87,196	8,490
Other revenue and other income	3	289	125
Selling and distribution expenses		(4,936)	(865)
Administrative expenses		(23,788)	(5,803)
Profit before tax	4	58,761	1,947
Income tax expense	5	(370)	(409)
Profit for the period		58,391	1,538
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		3,247	54
Other comprehensive income for the period		3,247	54
Total comprehensive income for the period		61,638	1,592
Profit for the period attributable to:			
— Ordinary shareholders of the Company		53,385	1,538
— Non-controlling interests		5,006	—
		58,391	1,538
Total comprehensive income for the period attributable to:			
— Ordinary shareholders of the Company		56,535	1,592
— Non-controlling interests		5,103	—
		61,638	1,592
Earnings per share attributable to owners of the Company	6		
Basic and diluted		HK13.35 cents	HK0.38 cents

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

As at 31 December 2017

	<i>Notes</i>	31 December 2017 HK\$'000 (unaudited)	30 June 2017 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		1,931	1,203
Goodwill		2,719	153
Total non-current assets		4,650	1,356
Current assets			
Inventories		8,530	7,622
Trade receivables	8	94,457	8,583
Deposits, prepayments and other receivables		88,884	14,242
Cash and cash equivalents		55,064	41,567
Pledged deposits		1,049	1,048
Current tax assets		–	1,485
Total current assets		247,984	74,547
Current liabilities			
Trade payables	9	45,916	2,271
Accruals, other payables and trade deposits received		40,281	12,309
Amount due to immediate holding company		45,000	–
Current tax liabilities		165	1,717
Total current liabilities		131,362	16,297
Net current assets		116,622	58,250
Total assets less current liabilities		121,272	59,606
Non-current liabilities			
Deferred tax liabilities		13	13
NET ASSETS		121,259	59,593
Equity			
Capital and reserves attributable to owners of the Company			
Share capital		4,000	4,000
Reserves		117,259	55,593
TOTAL EQUITY		121,259	59,593

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2017

	Attributable to owners of the Company						Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000 (note i)	Exchange fluctuation reserve HK\$'000 (note ii)	Other reserve HK\$'000 (note iii)	Retained earnings HK\$'000		
At 1 July 2017 (audited)	4,000	39,782	208	757	100	14,746	59,593	59,593
Profit for the period (unaudited)	-	-	-	-	-	53,385	53,385	58,391
Exchange difference arising on translation of foreign operations (unaudited)	-	-	-	3,150	-	-	3,150	3,247
Total comprehensive income for the period (unaudited)	-	-	-	3,150	-	53,385	56,535	61,638
Transfer to statutory reserve	-	-	179	-	-	(179)	-	-
Acquisition of non-controlling interests	-	-	-	-	-	5,103	5,103	(5,103)
Reserve released upon disposal of a subsidiary	-	-	-	28	-	-	28	28
Changes in equity for the period	-	-	179	3,178	-	58,309	61,666	61,666
At 31 December 2017 (unaudited)	4,000	39,782	387	3,935	100	73,055	121,259	121,259
At 1 July 2016 (audited)	4,000	39,782	208	276	100	17,506	61,872	61,872
Profit for the period (unaudited)	-	-	-	-	-	1,538	1,538	1,538
Exchange difference arising on translation of foreign operations (unaudited)	-	-	-	54	-	-	54	54
Total comprehensive income for the period (unaudited)	-	-	-	54	-	1,538	1,592	1,592
At 31 December 2016 (unaudited)	4,000	39,782	208	330	100	19,044	63,464	63,464

Notes:

(i) Statutory reserve

Pursuant to the relevant laws and regulations for business enterprises in the People's Republic of China (the "PRC"), a portion of the profits of the entities which are registered in the PRC has been transferred to the statutory reserve which is restricted as to use. When the balance of such reserve reaches 50% of the capital of that entity, any further appropriation is optional. The statutory reserve can be utilised, upon approval of the relevant authority, to offset prior years' losses or to increase capital. However, the balance of the statutory reserve must be maintained at a minimum 25% of capital after such usage.

(ii) Exchange fluctuation reserve

Exchange fluctuation reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) that are recognised directly in other comprehensive income and accumulated in the exchange fluctuation reserve. Such exchange differences accumulated in the exchange fluctuation reserve are reclassified to profit or loss on the disposal of the foreign operations.

(iii) Other reserve

Other reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiary arising from the reorganisation underwent for the preparation of the listing of the Company's shares on GEM.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW*For the six months ended 31 December 2017*

	For the six months ended	
	31 December	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	(38,584)	2,303
Net cash generated from/(used in) investing activities	3,872	(4)
Net cash generated from financing activities	44,999	—
Net increase in cash and cash equivalents	10,287	2,299
Effect on foreign exchange rate changes, net	3,210	3
Cash and cash equivalents at beginning of the period	41,567	48,988
Cash and cash equivalents at end of the period		
— represented by bank balances and cash other than pledged deposits	55,064	51,290

Notes:

1. BASIS OF PREPARATION AND BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements for the six months ended 31 December 2017 have been prepared in accordance with the accounting principles accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the six months ended 31 December 2017 are consistent with those adopted in the annual report for the year ended 30 June 2017 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the “New and Revised HKFRSs”) (which include all HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA that are adopted for the first time for the current period financial statements.

The adoption of the New and Revised HKFRSs has had no significant effect on the unaudited condensed consolidated financial statements for the six months ended 31 December 2017 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the six months ended 31 December 2017.

The Group has not applied any new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group’s results of operations and financial position.

The unaudited condensed consolidated financial statements for the six months ended 31 December 2017 have been prepared on the historical cost basis.

The unaudited condensed consolidated financial statements have not been audited by the Company’s auditors, but have been reviewed by the audit committee of the Company.

2. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue represents provision of internet advertising agency services, online payment technical support services and the aggregate of the net invoiced value of leather products sold, after allowances for returns.

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

	Six months ended	
	31 December	
	2017	2016
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
Internet advertising agency services	148,651	–
Online payment technical support services	19,237	–
Sales of leather products	27,543	24,065
	195,431	24,065

The Group has three operating segments as follows:

Internet advertising agency services	—	providing internet advertising agency services
Online payment technical support services	—	providing online payment solution and technical support services
Leather business	—	leather apparel products development, manufacturing and logistical services

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.

No analysis of segment asset or segment liabilities is presented as such information is not regularly provided to the Directors.

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:

For the six months ended 31 December 2017 (unaudited)

	Internet advertising agency services HK\$'000	Online payment technical support services HK\$'000	Leather business HK\$'000	Total HK\$'000
Revenue	148,651	19,237	27,543	195,431
Cost of sales	(83,456)	(6,174)	(18,605)	(108,235)
Gross profit	65,195	13,063	8,938	87,196
Selling and distribution expenses	(3,320)	(590)	(1,026)	(4,936)
Administrative expenses	(6,934)	(1,104)	(7,198)	(15,236)
Segment results	54,941	11,369	714	67,024
Other income, gain/(losses)				289
Unallocated corporate expenses				(8,552)
Profit before tax				58,761

For the six months ended 31 December 2016 (unaudited)

	Internet advertising agency services HK\$'000	Online payment technical support services HK\$'000	Leather business HK\$'000	Total HK\$'000
Revenue	—	—	24,065	24,065
Cost of sales	—	—	(15,575)	(15,575)
Gross profit	—	—	8,490	8,490
Selling and distribution expenses	—	—	(865)	(865)
Administrative expenses	—	—	(5,433)	(5,433)
Segment results	—	—	2,192	2,192
Other income, gain/(losses)				125
Unallocated corporate expenses				(370)
Profit before tax				1,947

(a) Information about major customers

Revenues from customer contributing over 10% of the total revenue of the Group during the periods are as follows:

	Six months ended	
	31 December	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Customer A	*	8,100
Customer B	*	3,332
Customer C	32,845	–

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective period.

(b) Geographical information

The following table sets 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 or services are delivered or rendered. The geographical location of non-current assets is based on the physical location of the assets.

Revenue from external customers

	Six months ended	
	31 December	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
PRC	135,172	–
United States of America	18,649	9,977
Malaysia	17,921	1,642
Canada	9,095	18
Hong Kong	7,778	2,952
Australia	5,251	6,995
Switzerland	605	63
Japan	435	2,013
South Africa	364	382
Netherlands	122	–
Others (note)	39	23
	195,431	24,065

Note: Other countries included France, New Zealand and the United Kingdom.

Non-current assets

	As at	As at
	31 December	30 June
	2017	2017
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Hong Kong	624	1,113
PRC	4,026	170
Taiwan	–	73
	4,650	1,356

3. OTHER REVENUE AND OTHER INCOME

	Six months ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income	36	17
Sales of scrap materials	4	11
Others	3	—
Exchange gains, net	131	97
Gain on disposal of a subsidiary	115	—
	<u>289</u>	<u>125</u>

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Staff costs (including directors' remuneration):		
— Salaries and bonus	12,064	7,598
— Pension scheme contributions	1,319	496
Total staff costs	<u>13,383</u>	<u>8,094</u>
Cost of inventories sold	14,472	12,122
Depreciation of property, plant and equipment	<u>281</u>	<u>82</u>

5. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the periods. The rate of the PRC Enterprise Income Tax of the Group's subsidiary operating in the PRC during the periods was 25% (2016: 25%) on its assessable profits. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates for the periods.

	Six months ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax:		
Hong Kong Profits Tax	130	330
PRC Enterprise Income Tax	<u>240</u>	<u>79</u>
Income tax expense for the period	<u>370</u>	<u>409</u>

6. EARNING PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of the basic earnings per Share attributable to owners of the Company were based on (i) the profit attributable to owners of the Company for the periods; and (ii) the number of 400,000,000 (2016: 400,000,000) shares (the “Shares”) in issue during the periods.

The diluted earnings per Share for the six months ended 31 December 2017 and 2016 are equal to the basic earnings per Share as there were no dilutive potential ordinary Shares in issue during the periods.

7. DIVIDENDS

The Company has not declared or paid any dividends during the period ended 31 December 2017 and 2016.

8. TRADE RECEIVABLES

Majority of the Group’s sales are made with credit terms ranged from 14 to 90 days (30 June 2017: 14 to 30 days).

The following table sets out an ageing analysis of trade receivables of the Group, presented based on the invoice date.

	As at 31 December 2017 HK\$’000 (unaudited)	As at 30 June 2017 HK\$’000 (audited)
Within 30 days	19,872	8,123
31 to 60 days	20,128	258
61 to 90 days	3,820	62
Over 90 days	50,637	140
	<u>94,457</u>	<u>8,583</u>

9. TRADE PAYABLES

The following table sets out an ageing analysis of the trade payables of the Group, presented based on invoice date.

	As at 31 December 2017 HK\$’000 (unaudited)	As at 30 June 2017 HK\$’000 (audited)
Within 30 days	18,192	1,703
31 to 60 days	18,043	217
61 to 90 days	8,716	8
Over 90 days	965	343
	<u>45,916</u>	<u>2,271</u>

10. Lease Commitments

As at the end of the reporting periods, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	As at 31 December 2017 HK\$'000 (unaudited)	As at 30 June 2017 HK\$'000 (audited)
Within one year	8,339	2,006
In the second to fifth years, inclusive	767	—
	9,106	2,006

11. Related party transactions

The Group has entered into the following transactions with related parties.

The remuneration of Directors, who are the key management of the Group, during the periods was disclosed as follows:

	Six months ended 31 December 2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Salaries, allowances and benefits in kind	3,040	1,142
Pension scheme contributions	23	30

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 31 December 2017 (2016: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

The Group is an integrated company specialising in (i) provision of the internet advertising agency services; (ii) provision of online payment technical support services; and (iii) the manufacture and sales of private label leather garments for its customers on original equipment manufacturer basis.

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. The online advertising market size in the PRC reached RMB239.3 billion in 2016, representing a year-on-year growth of 21.0%. Internet development in the PRC is expected to stay on the fast track in 2018, coupled with strong user stickiness and further unleashed potential of mobile internet marketing. With the online advertising market having a significant headroom and growth potential, the mobile advertising segment is positioned to attract a larger proportion of advertisers by its innovative and sophisticated offerings. The market size of internet advertising in the PRC is expected to exceed RMB400 billion in 2018, of which mobile internet advertising will account for more than RMB300 billion or nearly 80%. 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.

The advertising pattern is shifting from pay-for-media to pay-for-audience, driven by the rapidly evolving internet and advertising sector as well as the advancement in audience targeting technologies. Demand-side platform (“DSP”) has gradually become matured technology in the internet advertising sector. As a systematic online advertising platform, DSP serves advertisers by facilitating their placing of advertisements on the internet or over mobile devices. DSP accommodates advertisers within an unified bidding and feedback framework in an easier way, allowing them to acquire quality advertising space promptly at reasonable prices for online advertisements transacted with multiple advertising platforms.

During the period, 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) (“Dongrun Network”). Dongrun Network, 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, Fang.com (房天下), 37 Interactive Entertainment (三七互娛), Dianping.com (大眾點評), Renrenche.com (人人車) and Jiayuan.com (世紀佳緣), among other well-known names, in a wide range of segments such as e-commerce, online tourism, game, video, dating and automobile. During the period, Dongrun Network recorded a revenue of approximately HK\$93,000,000.

During the period, 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 mobile application marketplace optimisation services based on its proprietary technology, including improvement of APP placements at marketplaces, optimisation of keyword search ranking and marketing services. During the period, Ai Wan Yue recorded a revenue of approximately HK\$17,000,000.

During the period, 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 Google, MSIM provides customers with access to global advertising, including big data support, integrated marketing solutions, localisation support and account stabilisation services. During the period, MSIM recorded a revenue of approximately HK\$33,000,000.

Online Payment Technical Support Services

Shenzhen Xiangjiao Huyu Technology Company Limited* (深圳市香蕉互娛科技有限公司) and Horgos Xiangjiao Chaoren Information Technology Company Limited* (霍爾果斯香蕉超人信息科技有限公司), wholly-owned subsidiaries of the Group, are the leading aggregators of payment platforms in China focusing on providing one-stop online payment solutions for internet players. Accordingly, merchants can have a quick access to Alipay, WeChat, UnionPay and other payment channels and manage and track their orders. During the period, the Group’s technical support services on online payment contributed a revenue of approximately HK\$19,000,000.

Production and Sale of Leather Products Business

The Group is engaged in production and sale of leather garments through its wholly-owned subsidiaries, Perline Company Limited 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 customers are higher-end leather fashion brands. For the six months ended 31 December 2017, the order volume from and sales to the Group’s customers of international fashion brands increased by approximately 14% as compared to the corresponding period of last year, and the sales revenue from leather products amounted to approximately HK\$28,000,000.

* for identification only

Outlook

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

Financial Review

Revenue

The Group's revenue principally represented income derived from (i) provision of internet advertising agency services; (ii) provision of online payment technical support services; and (iii) the manufacturing and sales of leather garment products to high-end fashion brand customers.

The Group has recorded a revenue of about HK\$195.4 million for the six months ended 31 December 2017, representing an increase of about 711% as compared with about HK\$24.1 million for the six months ended 31 December 2016.

The increase in sales in the six months period ended 31 December 2017 is mainly due to revenue growth from new business segments, namely, provision of internet advertising agency services and online payment technical support services.

Cost of Sales and Gross Profit

Cost of sales mainly represents costs of provision of internet advertising agency services, online payment technical support services and costs of raw materials, costs of accessories, labour costs, other manufacturing overheads.

The Group's cost of sales amounted to about HK\$108.2 million for the six months ended 31 December 2017. Cost of sales rose by about 595% as compared with the cost of sales for the six months ended 31 December 2016, mainly due to the costs incurred for internet advertising agency services and online payment technical support services.

Gross profit margin of about 45% for the six months ended 31 December 2017 was higher comparing to the gross profit margin of about 35% for the six months ended 31 December 2016, mainly due to high profit margins attributable to provision of internet advertising agency services as well as online payment technical support services.

Other Revenue and Other Income

Other revenue and other income mainly represents sundry income incidental to our business, principally including interest income, income from sales of scrap materials, net exchange differences and gain on disposal of a subsidiary. The total of other revenue and other income was amounted to about HK\$0.1 million and HK\$0.3 million for the six months ended 31 December 2016 and 2017, respectively.

Selling and Distribution Expenses

Selling and distribution expenses comprise mainly logistic expenses and marketing expenses.

The selling and distribution expenses have increased from about HK\$0.9 million for the six months ended 31 December 2016 to about HK\$4.9 million for the six months ended 31 December 2017, representing a rise of about HK\$4.0 million.

The higher selling expenses were mainly due to expenses incurred for internet advertising agency services and online payment technical support services during the period.

Administrative Expenses

Administrative expenses comprise mainly payroll expenses, rent and rates and other office administrative expenses.

Administrative expenses have increased from about HK\$5.8 million for the six months ended 31 December 2016 to about HK\$23.8 million for the six months ended 31 December 2017, representing an increase of about HK\$18.0 million.

The higher administrative expenses were mainly attributable to increase in salaries and wages and office administrative expenses.

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 subsidiary in Foshan, the PRC. Certain subsidiaries of the Company, which are incorporated in the Horgos Economic Development Zone and engaged in industries particularly encouraged by the local government, is entitled to a preferential tax treatment of five years exemption from enterprise income tax.

Profit for the Period

The Group recorded a profit for the period of approximately HK\$58.4 million for the six months ended 31 December 2017 and approximately HK\$1.5 million for the six months ended 31 December 2016, respectively. The significant rise of approximately HK\$56.9 million in profit for the period was a result of significant growth in revenue and high profit margins of new business segments.

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 period under review. As at 31 December 2017, included in net current assets were cash and bank balances (including pledged bank deposits) totalling approximately HK\$56.1 million (30 June 2017: HK\$42.6 million), the increase in which was mainly due to retained profits.

As at both 31 December 2017 and 30 June 2017, the Group did not have any outstanding bank borrowings. Thus, no gearing ratio (which is calculated by dividing the net debt by total equity where net debt comprise borrowings less cash and bank balances) was presented as the Group did not have net debt as at both 31 December 2017 and 30 June 2017.

As at both 31 December 2017 and 30 June 2017, there was no seasonality as to the Group's borrowing requirements and no committed borrowing facilities.

Financial Management Policies

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

Cash is generally deposited with banks in Hong Kong and the PRC, 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 most of the Group's trading transactions, monetary assets and liabilities are denominated mainly in Hong Kong dollars, (being the Group's operating and reporting currencies), United States dollars (to which Hong Kong dollars were pegged) and Renminbi, 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 periods.

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

Charge Over Assets of the Group

As at 31 December 2017, the Group's banking facilities were supported by pledged bank deposits of approximately HK\$1.0 million (30 June 2017: HK\$1.0 million).

Capital Commitments and Contingent Liabilities

As at 31 December 2017, the Group did not have any significant capital commitment (30 June 2017: nil). As at 31 December 2017, the Group did not have any significant contingent liability (30 June 2017: nil).

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* (北京東潤互動科技有限公司) at a total consideration of RMB2,000,000. The acquisition has been completed.

During the six months ended 31 December 2017, the Group did not have any material disposal.

Employees and Remuneration Policy

As at 31 December 2017 the Group had a workforce of 188 employees (30 June 2017: 191). Total staff cost for the six months ended 31 December 2017 was about HK\$13.4 million, representing an increase of about HK\$5.3 million as compared to the staff cost for the six months ended 31 December 2016.

The Group’s remuneration policy is formulated by the Remuneration Committee of the Board 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 also include pension scheme contributions.

The Group provides various training to our employees to enhance their technical skills and awareness of responsibilities. The Group also provides its employees with quality control standards and work safety standards training to enhance their safety awareness.

During the period under review, the Group did not experience any strikes, work stoppages or significant labor disputes which affected its operations in the past and it did not experience any significant difficulties in recruiting and retaining qualified staff.

DIRECTORS AND CONTROLLING SHAREHOLDERS’ INTEREST IN COMPETING BUSINESS

For the six months ended 31 December 2017, the Directors are not aware of any business or interest of the Directors, the controlling shareholders of the Company or their respective close associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

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

During the six months ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

* *for identification only*

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 standards 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 standards set out in the Model Code and the Code of Conduct during the six months ended 31 December 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 six months ended 31 December 2017.

REPORT ON COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

During the six months ended 31 December 2017, the Group has been 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 at the date of this announcement.

	Code Provision	Deviation	Considered Reason for Deviation
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 six months ended 31 December 2017, 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.

CHANGES OF DIRECTORS' INFORMATION

Upon specific enquiry by the Company and following confirmations from Directors, save as disclosed as follows, there is no other 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 annual report.

(1) Changes of Directors' Positions held with the Company:

Directors	Changes in Positions held with the Company
Wang Fei	Appointed as the Chairman of the Corporate Governance Committee with effect from 1 January 2018
Tian Yuan	Appointed as an authorised representative and the Compliance Officer with effect from 27 September and 3 November 2017 respectively
Chen Ce	Appointed as an Independent Non-executive Director ("INED"), the Chairman of the Audit Committee and a member of all Board Committees with effect from 1 January 2018
Chen Feng	Appointed as the Chairman of the Remuneration Committee with effect from 1 January 2018
Gao Shuo	Appointed as the Chairman of the Nomination Committee with effect from 1 January 2018
Cheung Kam Tong, Antonio	Resigned as an INED and a member of all Board Committees with effect from 1 January 2018
Chui Man Lung, Everett	Resigned as an INED and a member of all Board Committees with effect from 1 January 2018
Han Chu	Resigned as an INED and a member of all Board Committees with effect from 1 January 2018
Tang Yau Sing	Resigned as a member of Corporate Governance Committee with effect from 5 September 2017 and retired as an Executive Director and ceased to be the Compliance Officer with effect from 3 November 2017.

(2) Changes of Directors' Emoluments

Given below is the latest information regarding the Directors' annual emoluments, calculated on an annualised basis for the financial year ending 30 June 2018, of all those Directors of the Company for whom there have been changes of amounts of emoluments since the Company's last published annual report.

Directors	Salaries and Allowances <i>HK\$'000</i>
Zhu Yongjun (<i>Note (i)</i>)	2,400 (2016: 836)
Chong Ka Yee (<i>Note (ii)</i>)	136 (2016: nil)
Chen Feng (<i>Note (ii)</i>)	136 (2016: nil)
Gao Shuo (<i>Note (ii)</i>)	136 (2016: nil)

Notes:

- (i) Mr. Zhu Yongjun agreed to waive his fixed bonus of approximately HK\$511,000 of the Company for the year 2017.
- (ii) The remuneration of each of the Non-executive Director and INEDs has been revised from HK\$300,000 per annum to HK\$180,000 per annum with effect from 1 January 2018.

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 interim announcement, the accounting principles and practices adopted by the Group, financial reporting matters including a review of the unaudited consolidated results for the six months ended 31 December 2017 prior to recommending them to the Board for approval.

The consolidated interim financial statements for the six months ended 31 December 2017 have not been audited by the Company's auditors.

By order of the Board
Million Stars Holdings Limited
Zhu Yongjun
Chairman

Hong Kong, 9 February 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>.