MILLION STARS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8093

ANNUAL REPORT
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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, 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 (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 report 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 report misleading.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. ZHU Yongjun — *Chairman*
*Ms. WANG Fei — *Chief Executive Officer*
Mr. TANG Yau Sing
Ms. TIAN Yuan

Independent Non-Executive Directors

Mr. CHEUNG Kam Tong Antonio
Mr. CHUI Man Lung Everett
Mr. HAN Chu

AUDIT COMMITTEE

Mr. CHUI Man Lung Everett — *Chairman*
Mr. CHEUNG Kam Tong Antonio
Mr. HAN Chu

REMUNERATION COMMITTEE

Mr. CHEUNG Kam Tong Antonio — *Chairman*
Mr. CHUI Man Lung Everett
Mr. HAN Chu

NOMINATION COMMITTEE

Mr. HAN Chu — *Chairman*
Mr. CHEUNG Kam Tong Antonio
Mr. CHUI Man Lung Everett

CORPORATE GOVERNANCE COMMITTEE

Mr. CHUI Man Lung Everett — *Chairman*
Ms. WANG Fei
Mr. CHEUNG Kam Tong Antonio
Mr. HAN Chu

AUTHORISED REPRESENTATIVES

Mr. Tang Yau Sing
Ms. FOO Man Yee Carina

CHIEF FINANCIAL OFFICER

Mr. HE Hongbing

COMPANY SECRETARY

Ms. FOO Man Yee Carina *(ACIS)*

COMPLIANCE OFFICER

Mr. TANG Yau Sing *(FCPA, FCCA)*

** appointed on 5 September 2017*

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

3401, 34/F., Lippo Centre
Tower 1, No. 89 Queensway
Admiralty, Hong Kong

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKER

The Bank of East Asia Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

RSM Hong Kong
Certified Public Accountants

HONG KONG LEGAL ADVISER

Iu, Lai & Li Solicitors

CAYMAN ISLANDS LEGAL ADVISER

Conyers Dill & Pearman

COMPLIANCE ADVISER

Messis Capital Limited

WEBSITE

www.millionstars.hk

STOCK CODE

8093

Chairman’s Statement

Dear Shareholders,

On behalf of board of directors (the “Directors”) of Million Stars Holdings Limited (the “Company”, together with its subsidiaries, the “Group”), I am pleased to present the audited consolidated results of the Group for the year ended 30 June 2017 to our shareholders and investors.

The Group has recorded a loss for the year ended 30 June 2017 (“FY2017”). The loss for FY2017 was mainly due to one-off professional fees associated with the general offer and new office setup cost. To maintain the competitiveness, the Group will continue to control the operating expenses at reasonable stable level to improve the Group’s performance.

In order to reduce the reliance upon the existing manufacturing and sales of leather garment business, and attempt to diversify the Group business area, the Group acquired a business of providing technical support on mobile payment during the year under review. We will pay more attention to identify any suitable investment opportunity in the market and continue to maximise returns for our shareholders and investors.

Despite of the challenging global environment, I am confident that our strong and dynamic management team will lead the Group to an even brighter future, and will take on each challenge and seize it as an opportunity to grow the Group’s business.

I wish to take this opportunity to express our gratitude for the support from our business partners, readers, and customers over the years. I would also like to thank our dedicated management and staff to their contributions to the Group.

Zhu Yongjun
Chairman

26 September 2017

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 in line with the rapid development of mobile payment in the PRC.

During FY 2017, the Group also reported an increase in administrative expenses mainly due to the increase in professional fees associated with the general offer and the office setup cost. The increase in administrative expenses resulted in operating loss as comparing 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 suits the Group's development strategy, the Group will consider such opportunity for the overall benefits to the Group and the Company's Shareholders as a whole.

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 Company and its subsidiaries (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, representing 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.

FINANCIAL REVIEW (continued)

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 setup 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 REVIEW (continued)

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 cash and bank 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 of Directors (the "Board") believes that risk management is essential to the Group's efficient and effective operation. Details of the principal risks and uncertainties the Group is facing are set out in note 6 to the consolidated financial statements, which are consistent with prior years. 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.

LISTING OF THE COMPANY'S SHARES AND USE OF PROCEEDS

The Company was incorporated in the Cayman Islands on 3 September 2014 as an exempted company with limited liability under the Companies Law (as revised from time to time) of the Cayman Islands. As a result of a reorganisation (the "Reorganisation") to prepare for the Listing, the Company become the holding company of its subsidiaries.

The Shares were first listed on the GEM on 12 February 2015 by way of placing ("Placing") of 100,000,000 Shares at a placing price of HK$0.55 per Share. The total net proceeds from the Placing after deducting all related expenses was approximately HK$25.3 million. Up to 30 June 2017, the Group has applied the proceeds as follows:

(a) approximately HK$2.4 million for strengthening the Group's business development capability by expanding its marketing function;

(b) approximately HK$0.6 million for enhancing the Group's manufacturing facilities through purchasing new production equipment and machineries;

(c) approximately HK$7.0 million for expansion of the Group's pre-production product development function;

(d) approximately HK$3.8 million for expansion of the Group's sourcing capability; and

(e) approximately HK$1.8 million for general working capital.

LISTING OF THE COMPANY'S SHARES AND USE OF PROCEEDS (continued)

The business objectives, future plans and planned use of proceeds as stated in the Company's prospectus dated 5 February 2015 (the "Prospectus") were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

Business objectives for the period since the date of Listing up to 30 June 2017	Actual business progress for the period since the date of Listing up to 30 June 2017
A. Strengthening business development capability	
Cost will be incurred as remuneration payable to one to two additional marketing staff recruited for this business strategy Strengthening our marketing coverage in the PRC market Continue to participate in more trade fairs and fashion shows to increase the market presence of our Group Arrange additional marketing trips to visit our customers in Hong Kong and overseas Cost will be incurred as remuneration payable to the additional staff recruited for the organisation of training programs and meetings with the quality control team from our customers for this business strategy	During FY 2017, the Group recruited one high caliber sales and marketing staff to develop relationship with existing and potential customers and recruited an additional staff to organise training programs to new staff and less experienced staff. Moreover, the Group set up regular meetings with the quality control teams with its customers to enhance the communication and understanding with its customers' technical requirements and standards for business development purposes. The Group arranged additional marketing trips to visit its customers in the PRC, United States of America and Australia. The Group is currently in the process of identifying relevant and popular trade fairs to increase its market presence.
B. Enhancing manufacturing facilities	
Making payment for the purchase of automatic flat press machine, sewing machines with special functions, computerised pattern cutting machine and automated button-attaching machines Examine the state and condition of the existing production facilities to ascertain and develop time schedule for replacement of old equipment and machineries	During FY 2017, the Group acquired newer models of production machines to enhance the production efficiency.

Business objectives for the period since the date of Listing up to 30 June 2017	Actual business progress for the period since the date of Listing up to 30 June 2017
C. Expansion of pre-production product development function	
Cost will be incurred as remuneration payable to one to two additional design and development staff recruited for this business strategy Continue to develop and create more samples for presentation to existing and potential customers Plan for developing a database with comprehensive and updated data and information of different leather accessories, fashion samples, fashion design photos and other historical information related to leather garments Research on and search for new technologies and technics on leather garments Research on new technologies, organise training and visit fabric factories to enhance the technics and skills of manufacturing leather garments blended with fabrics and textiles	During FY 2017, the Group recruited one experienced staff for the research and technical development of production technics and leather garment patterns. The Group developed and created more samples for presentation to existing and potential customers during the FY 2017. The Group visited its suppliers' factories regularly.
D. Expansion of sourcing capability	
Cost will be incurred as remuneration payable to two to four additional sourcing staff/agent recruited for this business strategy Arrange business trips to visit our major suppliers to update our staff with the latest leather treatment technologies and so that our staff can learn the proper skills of handling leather with the latest leather technologies Cost will be incurred as remuneration payable to the leather garment specialists recruited and expenses for the organisation of training on the effects of different leather treatments, technics on handling different types of leather to enhance the knowledge of our staff on different types of leather for this business strategy	The Group recruited one additional sourcing staff as well as one leather garment specialist for expanding the Group's sourcing capability. Additional training on the effects of different leather treatments and technics on handling different types of leather were organised for existing staff in order to enhance the knowledge of our staff on different types of leather. The Group visited its major suppliers to obtain information about the latest leather treatment technologies.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, the Group intends to deposit the net proceeds in short-term demand deposits. The Group will continue to review and evaluate the above business plans critically and regularly and will make appropriate announcements if there are any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

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.

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, representing 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, details of which are set out in note 27 to the consolidated financial statements.

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.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Zhu Yong Jun
Chairman and Executive Director

Mr. Zhu Yong Jun ("Mr. Zhu"), aged 36, was appointed as an executive Director of the Company on 24 February 2017, the chairman of the board of Directors and the chief executive officer ("CEO") of the Company on 17 March 2017. He stepped down as the CEO on 5 September 2017.

Mr. Zhu has experience in investment management. He has been the founder, chairman and chief executive officer of 上海尋投金融信息服務有限公司 (Shanghai Financial Investment Information Services Company Limited*) since 2014 and was the founder of 泰州四方網絡有限公司 (Taizhou Sifang Network Company Limited*) in 2005. He was the general manager of the network department of 中國電信泰州實業公司 (China Telecommunications Taizhou Industrial Corporation*) from 2004 to 2005. Mr. Zhu holds a bachelor's degree in economic information management from Jiangnan University.

Mr. Zhu is a director of Power View Group Limited, a controlling Shareholder of the Company.

Wang Fei
Chief Executive Officer and Executive Director

Wang Fei ("Ms. Wang"), aged 44, was appointed as an executive Director and the CEO of the Company on 5 September 2017.

Ms. Wang has nearly 23 years of experience in the software development and business marketing fields. From January 2003 to April 2017, Ms. Wang served as the senior manager of Baidu Union Development, general manager at Baidu Games Business Unit (Web Game), general manager at Baidu Web Navigation Business Unit, CEO of Baidu Games and general manager of Baidu Mobile App Distribution Business Unit. She was engaged in various projects including key accounts sales model development, software union and internet bar union development, the general management of Hao123 Web Navigation business, integration of games business and formulation of business strategies, as well as vigorous expansion of overseas markets.

During her employment in Baidu Mobile App Distribution Business Unit, she was responsible for developing mobile assistant app stores and personal cloud business. Before joining Baidu, Ms. Wang was employed by Sparkice E-Commerce Group as senior business manager, served as a sales department manager of eNet.com.cn, worked at China Ship Research and Development Academy as software engineer during the period from 1994 to 2002.

Ms. Wang graduated from Harbin Engineering University with a bachelor's degree in electronic engineering in 1994.

EXECUTIVE DIRECTORS (continued)

Tang Yau Sing
Executive Director

Tang Yau Sing ("Mr. Tang"), aged 55, was appointed as an executive Director of the Company on 24 February 2017.

Mr. Tang holds a bachelor of social sciences (honours) degree from the University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, a member of the Taxation Institute of Hong Kong and the Hong Kong Institute of Directors. He has over 25 years of accounting, auditing and financial advisory experience and held key management position in numerous listed companies in Hong Kong and the United States.

Mr. Tang has been the executive director and Company Secretary of Pearl Oriental Oil Limited (stock code: 632) since October 2016 and August 2017 respectively and an executive director of Winto Group (Holdings) Limited (stock code: 8238) since July 2017. He was the chairman and executive director of Greens Holdings Limited (stock code: 1318) for the period from December 2014 to November 2015, the executive director and company secretary of Changgang Dunxin Enterprise Company Limited (stock code: 2229) for the period from February 2016 to June 2016, the executive director and chief financial officer of New Sports Group Limited (stock code: 299) for the period from November 2013 to May 2016, the vice president and company secretary of China Environmental Technology Holdings Limited (stock code: 646) for the period from March 2014 to April 2016. Mr. Tang was also the chief financial officer of China Agritech Inc. (previously listed on NASDAQ) for the period from October 2008 to January 2012.

Tian Yuan
Executive Director

Tian Yuan ("Ms. Tian"), aged 43, was appointed as an executive Director of the Company on 28 July 2017.

Ms. Tian obtained her bachelor's degree in economics from the University of California, Los Angeles and her master of science in financial engineering degree from the University of Michigan Ann Arbor. She was one of the earliest recruited innovative talents in the finance area by the "The Thousand Talents Plan"* ("吉林省千人計劃"), which was held by the government of Jilin Province.

Ms. Tian previously worked for US I.B. Fund Management Limited, Societe Generale Securities Hong Kong, Ltd, the Investment Management Department of Legend Holdings Ltd and other financial enterprises. She is experienced in technical analysis of foreign exchange, foreign exchange trading, derivatives development, trading and sales, financial product investment, the establishment and operation of investment funds, private equity, capital market investment, financing etc.

Ms. Tian is now the general manager of Shanghai Angell Asset Management Company Limited, the deputy general manager of 吉林省投資集團有限公司 (Jilin Province Investment Group Company Limited*) and the director and deputy general manager of 海通吉禾股權投資基金管理有限公司 (Haitong Jihe Equity Investment Fund Management Co., Ltd.*). She is also the member of the Investment Committee of 吉林省現代農業和新興產業投資基金有限公司 (Jilin Province Modern Agriculture and New Industrial Investment Fund Limited Company*) and 吉林省國家新能源創業投資基金合夥企業（有限合夥）投委會 (Jilin Province National New Energy Venture Investment Fund (Limited Partnership)*), and the director of the Investment Committee of 吉林省養老服務產業基金合夥企業（有限合夥）(Jilin Province Ageing Service Industry Fund (Limited Partnership)*).

Ms. Tian is a director of Power View Group Limited, a controlling Shareholder of the Company, and a director of United Conquer Limited, which is a controlling Shareholder of Power View Group Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheung Kam Tong Antonio
Independent Non-executive Director

Cheung Kam Tong Antonio ("Mr. Cheung"), aged 55, was appointed as an independent non-executive Director of the Company on 24 February 2017.

Mr. Cheung was the country manager of Dell Hong Kong Limited from 2004 to 2005 and CA (Hong Kong) Limited from 2005 to 2007. He was the general manager of International SOS (HK) Ltd. from 2008 to 2010. He was the founder of Integrated Credit Solutions Group Limited and Top Stand Corporation Limited and is now the chief executive officer of Top Stand Corporation Limited. Mr. Cheung holds a bachelor of social sciences degree from the University of Hong Kong.

Chui Man Lung Everett
Independent Non-executive Director

Chui Man Lung Everett ("Mr. Chui"), aged 52, was appointed as an independent non-executive Director of the Company on 24 February 2017.

Mr. Chui is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Chui is also a member of the Institute of Chartered Accountants in England and Wales. Mr. Chui became a qualified professional accountant in 1990 when he worked in the audit department of KPMG Hong Kong. Mr. Chui is the founding director and shareholder of Cen-1 Partners Limited, an independent consultancy company specialised in financial engineering and corporate structuring.

Mr. Chui has served as an independent non-executive director of Taung Gold International Limited (stock code: 621) since 20 April 2010 and Up Energy Development Group Limited (stock code: 307) since 30 June 2016. He was also the independent non-executive director of Mingyuan Medicare Development Company Limited (stock code: 233) from 23 September 2015 to 20 May 2016, New Sports Group Limited (stock code: 299) from 10 September 2013 to 20 January 2017 and China Ocean Fishing Holdings Limited (stock code: 8047) from 20 May 2015 to 16 May 2017.

Mr. Chui holds a bachelor of social sciences (honours) degree in business economics & accounting awarded by the University of Southampton in the United Kingdom.

Han Chu
Independent Non-executive Director

Han Chu ("Mr. Han"), aged 43, was appointed as an independent non-executive Director of the Company on 1 March 2017.

Mr. Han holds a bachelor's degree in management studies from Nanjing University and a master's degree in economics from Peking University. He has been a director and deputy general manager of 華泰瑞聯基金管理有限公司 (Huatai Ruilian Fund Management Company Limited*) since 2013. He served as an executive director in the investment banking division of 華泰聯合證券有限責任公司 (Huatai United Securities Company Limited*) for more than six years. He has over ten years of experience in investment management and advisory. He was an independent non-executive director of New Sports Group Limited (stock code: 299) from 17 December 2014 to 30 May 2016.

SENIOR MANAGEMENT

He Hongbing
Chief Financial Officer

He Hongbing ("Mr. He"), aged 44, was appointed as an Chief Financial Officer of the Company on 21 August 2017. Mr. He oversees and coordinates the operation of the Group's finance department including all financial, accounting and taxation functions and financing activities of the Group.

Mr. He graduated with a bachelor degree in science from Geology Department of Peking University in 1996 and a master degree of Civil and Commercial Law from the Law School of Yantai University in 2003.

Mr. He is a CFA Charter holder and a member of The Hong Kong Society of Financial Analysts since September 2009. He has held Chinese lawyer qualification since May 1999 and Chinese Certified Public Accountant qualification since March 2003, and has over 14 years working experience in financial management, corporate finance, investor relations and merger and acquisition projects.

From July 1996 to August 2000, Mr. He was the assistant engineer of Technical Centre, Dongfeng Motor Corporation. From February 2003 to January 2004, he served as the financial manager of Shenzhen B&K Electronic Co., Ltd. From February 2004 to July 2007, he was the finance manager, deputy general manager of the Investor Relation Division of China Gas Holdings Limited. From August 2007 to December 2007, he was the investment analyst of Singapore UOB Kay Hian Research Pte Ltd. From January 2008 to June 2008, he served as the deputy general manager of International Business Division of China Gas Holdings Limited. From July 2008 to November 2014, he worked as the senior project manager, assistant president and vice president of Sino Oil and Gas Holdings Limited. From December 2014 to December 2015, he worked as the vice president of Linuo Group Co., Ltd. From December 2015 to August 2017, he worked as the chief financial officer of Sound Global Limited.

* *for identification only*

Report of the Directors

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for FY 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 17 to the consolidated financial statements.

CHANGE OF COMPANY NAME

The change of English name of the Company from "Odella Leather Holdings Limited" to "Million Stars Holdings Limited", and adoption of "萬星控股有限公司" to replace "愛特麗皮革控股有限公司" as Chinese name of the Company (the "Change of Company Name") was approved by the Shareholders at the extraordinary general meeting held on 31 May 2017. The Certificate of Incorporation on Change of Name of the Company was issued by the Registrar of Companies in Cayman Islands on 31 May 2017 and the Certificate of Registration of Alternation of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 26 June 2017. The stock short names of the Company for trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were changed from "ODELLA" to "MILLION STARS" in English and from "愛特麗" to "萬星控股" in Chinese on 5 July 2017. The stock code of the Company remains unchanged as "8093".

The Board considers that the new name can more accurately reflect the business focus of the Group and also give the investors and the Shareholders a more defined corporate image and identity.

RESULTS AND DIVIDEND

The results of the Group for FY 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 45.

The Board does not recommend the payment of any dividend for FY 2017 (2016: Nil).

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the Management Discussion and Analysis on pages 4 to 10 of this Annual Report.

The financial risk management objectives and policies of the Group are shown in note 6 to the consolidated financial statements. An analysis of the Group's performance during the year using key financial performance indicators is provided in the Financial Review on pages 4 to 6 of this Annual Report.

Discussion on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group will be provided in the Environmental, Social and Governance Report which will be published on the websites of the Company and the Stock Exchange no later than three months after the publication this Annual Report.

SUMMARY FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 88 of this Annual Report. This summary does not form part of the audited consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 26(b) to the consolidated financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, as at 30 June 2017, the contributed surplus and share premium accounts are distributable to the Shareholders provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

Movements in the distributable reserves of the Company during the year ended 30 June 2017 are set out in note 26(b) to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year ended 30 June 2017 are set out in note 15 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 30 June 2017, sales to the Group's five largest customers accounted for 63.57% of the Group's total sales for the year and sales to the largest customer included therein amounted to 29.95%.

During the year ended 30 June 2017, purchases from the Group's five largest suppliers accounted for 43.82% of the Group's total purchases for the year and purchases from the Group's largest supplier included therein amounted to 10.42%.

Save as disclosed, none of the Directors or any of their close associates or any shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken during the year under review are disclosed in note 31 to the consolidated financial statements. Save as disclosed below, these related party transactions either (i) do not constitute connected or continuing connected transactions or (ii) fall under the definition of a connected or continuing connected transaction, but are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

DONATIONS

No charitable donation was made by the Group during the year ended 30 June 2017 (2016: Nil).

Report of the Directors

DIRECTORS

The Directors of the Company who held office during the year and up to the date of this report are:

Executive Directors:

Mr. ZHU Yongjun (Appointed on 24 February 2017)
Ms. Wang Fei (Appointed on 5 September 2017)
Mr. TANG Yau Sing (Appointed on 24 February 2017)
Ms. TIAN Yuan (Appointed on 28 July 2017)
Ms. CHEUNG Woon Yiu (Resigned on 17 March 2017)
Ms. LAM Wai Si Grace (Resigned on 17 March 2017)
Mr. CHING Wai Man (Resigned on 17 March 2017)

Non-Executive Directors:

Mr. SHAO Zuosheng (Appointed on 24 February 2017 and resigned on 28 July 2017)
Ms. NG Lai Hung (Resigned on 17 March 2017)

Independent Non-Executive Directors:

Mr. CHEUNG Kam Tong Antonio (Appointed on 24 February 2017)
Mr. CHUI Man Lung Everett (Appointed on 24 February 2017)
Mr. HAN Chu (Appointed on 1 March 2017)
Dr. WONG Wai Kong (Resigned on 17 March 2017)
Mr. HOW Sze Ming (Resigned on 17 March 2017)
Mr. Philip David THACKER (Resigned on 17 March 2017)

Pursuant to Article 109 of the Company's articles of association (the "Articles of Association"), all Directors will retire from the Board at the forthcoming annual general meeting and Mr. Zhu Yongjun, Ms. Wang Fei, Mr. Tang Yau Sing, Ms. Tian Yuan, Mr. Cheung Kam Tong Antonio, Mr. Chui Man Lung Everett and Mr. Han Chu, being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company.

CHANGE OF DIRECTORS' INFORMATION

Upon specific enquiry by the Company and following confirmations from Directors, save as otherwise set out in this Annual Report, 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 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.

DIRECTORS' SERVICE CONTRACTS

As at 30 June 2017, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transaction, arrangement or contract of significance in relation to the Company's business to which any subsidiary of the Company or the ultimate holding company of the Company or any subsidiary of such ultimate holding company was a party and in which a Director of the Company or any entities connected with a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during that financial year.

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

None of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during FY 2017.

MANAGEMENT CONTRACTS

There was in existence during FY 2017 a management services agreement dated 2 May 2017 with CS Legend Corporate Services Limited ("CS Legend"), whereby CS Legend agreed to provide company secretarial services to the Group.

EQUITY-LINKED AGREEMENT

No equity-linked agreement was entered into by the Company during the financial year or subsisted at the end of the financial year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of his/her duty or supposed duty in his/her office.

The Company has arranged appropriate liability insurance to cover the Directors' and officers' of the Group.

SHARE OPTION SCHEME

On 28 January 2015, the Company adopted a share option scheme and the major terms of the Share Option Scheme were summarized as follows:

(a) Purpose of the Share Option Scheme

The Company adopted the Share Option Scheme on 28 January 2015 by shareholder's written resolution.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives and rewards for their contribution to the Group. It became effective for a period of 10 years commencing on the date on which the Share Option Scheme was adopted.

(b) Participants of the Share Option Scheme

Pursuant to the Share Option Scheme, the Company may at its absolute discretion grant options to any employees, directors, suppliers, customers, shareholders, advisers or consultants, research, development or other technological support personnel or entities of the Company, its subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest and other selected participants (the "Eligible Participants").

(c) Total number of shares available for issue under the Share Option Scheme

The total number of shares may be granted under the Share Option Scheme is 40,000,000 shares. The maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company shall not exceed 30% of the total number of shares of the Company in issue from time to time.

(d) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of shares of the Company in issue, unless approved by the shareholders of the Company in the manner as stipulated in the Share Option Scheme.

(e) Time of exercise of options

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date on which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. No minimum period for which the option must be held before it can be exercised is specified in the Share Option Scheme.

SHARE OPTION SCHEME (continued)

(f) The subscription price per share

The subscription price per share in respect of an option granted under the Share Option Scheme is such price as determined by the Board of the Company at the time of the grant of the options, but in any case the subscription price shall not be lower than the higher of:

- the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the options are offered, which must be a business day;
- the price being the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of the options; and
- the nominal value of a share of the Company on the date of offer.

(g) Payment on acceptance of option

A non-refundable sum of HK$1.00 or other amount as determined by the Board of the Company by way of consideration for the grant of an option is required to be paid by each of the grantee upon acceptance of the granted option. An option may be accepted by a participant within 21 days from the date of offer for the grant of option.

(h) Duration of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years from its adoption date (i.e. 28 January 2015). The Share Option Scheme will terminate or expire (as the case may be) on the earlier (i) the approval of the shareholders in a general meeting, and (ii) at the close of business on the day immediately preceding the tenth anniversary of the adoption date (Scheme Period).

As at the date of this report, no share option has been granted, expired, lapsed, exercised or cancelled.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is based on their merit, qualifications and competence. The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees, details of the Share Option Scheme is set out in note 27 to the consolidated financial statements.

The emoluments of the Directors are recommended and decided by the Remuneration Committee and the Board respectively, having regard to the Company's operating results, individual performance and comparable market statistics.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group during the year ended 30 June 2017 are set out in note 11 and note 12 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 25 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that was publicly available to the Company and within the knowledge of its Directors, as at the date of this Annual Report, there was sufficient public float of not less than 25% of the Company's issued shares as required under the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 30 June 2017, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, required to be notified to the Company and the Stock Exchange, were as follows:

(a) Interests in shares of the Company

Name of Director	Capacity	Interests in Shares	Approximate Percentage of Issued Share Capital of the Company	Note
Mr. Zhu Yongjun	Interest of corporation controlled by the director	249,995,955 (L)	62.49%	1

Notes:

1. As of 30 June 2017, the Company had 400,000,000 Shares in issue.

2. As of 30 June 2017, Power View Group Limited ("PVG") had 100 shares in issue.

3. PVG was a holding company of the Company. PVG held 249,995,955 Shares, representing 62.49% of the total issued capital of the Company. PVG was 70% owned by United Conquer Limited ("UCL") and 30% owned by Mr. Zhu Yongjun.

Abbreviations: "L" stands for long position

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(b) *Interests in shares of associated corporation of the Company*

Long Positions in Shares

Name of Associated Corporation	Name of Director	Capacity/ Nature of Interest	Number of Ordinary Shares	Percentage of shareholdings/ registered capital
Power View Group Limited	Zhu Yongjun	Beneficial owner	30 Ordinary Shares of US$1.00 each	30%

Save as disclosed above, as of 30 June 2017, none of the Directors and chief executive of the Company had an interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations that was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As of 30 June 2017, so far as is known to the Directors of the Company, persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholders	Capacity	Interests in Shares	Approximate Percentage of Issued Share Capital of the Company (Note 1)	Notes
Power View Group Limited ("PVG")	Beneficial owner	249,995,955 (L)	62.49%	
United Conquer Limited ("UCL")	Interest of controlled corporation	249,995,955 (L)	62.49%	2
Shanghai Hutong Investments Centre (Limited Partnership)* (上海胡桐投資中心（有限合夥）) ("SHIC")	Beneficial owner Interest of controlled corporation	50,000,000 (L) 249,995,955 (L)	12.50% 62.49%	3
BOC-HFT-BOC-Overseas No.1 QDII Segregated Account ("BOC Account")	Investment manager	50,000,000 (L)	12.50%	4
Shanghai Angell Asset Management Company Limited* (上海昂巨資產管理有限公司) ("Shanghai Angell")	Interest of controlled corporation	299,995,955 (L)	74.99%	5
Zhongtian Urban Development Group Shanghai Equity Investment Fund Partnership (Limited Partnership)* (中天城投集團上海股權投資基金合夥企業（有限合夥）) ("Zhongtian Partnership")	Interest of controlled corporation	299,995,955 (L)	74.99%	6

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (continued)

Name of Shareholders	Capacity	Interests in Shares	Approximate Percentage of Issued Share Capital of the Company (Note 1)	Notes
Shanghai Tiger Platinum Equity Investment Fund Management Partnership (Limited Partnership)* (上海虎鉑股權投資基金管理合夥企業（有限合夥) ("Shanghai Tiger")	Interest of controlled corporation	299,995,955 (L)	74.99%	7
Guiyang Jinrong Konggu Company Limited* (貴陽金融控股有限公司) ("Guiyang")	Interest of controlled corporation	299,995,955 (L)	74.99%	8
Zhongtian Urban Development Group Limited ("Zhongtian Group")	Interest of controlled corporation	299,995,955 (L)	74.99%	9
Jin Shiqi Guoji Holdings Company Limited* (金世旗國際控股股份有限公司) ("Jin Shiqi")	Interest of controlled corporation	299,995,955 (L)	74.99%	10
China Goldjoy Credit Limited	Person having a security interest in shares	240,000,000 (L)	60.00%	
Stellar Result Limited	Interest of controlled corporation	240,000,000 (L)	60.00%	11
Goldjoy Holding Limited	Interest of controlled corporation	240,000,000 (L)	60.00%	12
Great Sphere Developments Limited	Interest of controlled corporation	240,000,000 (L)	60.00%	13
China Goldjoy Group Limited	Interest of controlled corporation	240,000,000 (L)	60.00%	14
Tinmark Development Limited	Interest of controlled corporation	240,000,000 (L)	60.00%	15
Mr. Yao Jianhui	Interest of controlled corporation	240,000,000 (L)	60.00%	16

Notes:

1. As of 30 June 2017, the Company had 400,000,000 Shares in issue.
2. UCL's deemed shareholdings stated above were held by virtue of its 70% shareholding interest in PVG.
3. SHIC's deemed shareholdings stated above were held by virtue of its 100% shareholding interest in UCL.
4. BOC Account's deemed shareholdings stated above were held as a trustee of a trust of which SHIC was the founder of a discretionary trust.
5. Shanghai Angell's deemed shareholdings stated above were held by virtue of its 1% capital commitment in SHIC's contribution through general partnership.
6. Zhongtian Partnership's deemed shareholdings stated above were held by virtue of its capital commitment in SHIC's contribution with Shanghai Angell through partnership.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (continued)

Long Positions in Shares (continued)

Notes: (continued)

7. Shanghai Tiger's deemed shareholdings stated above were held by virtue of its approximately 0.05% capital commitment in Zhongtian Partnership's contribution through general partnership.

8. Guiyang's deemed shareholdings stated above were held by virtue of its 80% capital commitment in Shanghai Tiger's contribution through limited partnership.

9. Zhongtian Group's deemed shareholdings stated above were held by virtue of its 100% shareholding interest in Guiyang.

10. Jin Shiqi's deemed shareholdings stated above were held by virtue of its 44.87% shareholding interest in Zhongtian Group.

11. Stellar Result Limited's deemed shareholdings stated above were held by virtue of its 100% shareholding interest in China Goldjoy Credit Limited.

12. Goldjoy Holding Limited's deemed shareholdings stated above were held by virtue of its 100% shareholding interest in Stellar Result Limited.

13. Great Sphere Developments Limited's deemed shareholdings stated above were held by virtue of its 80% shareholding interest in Goldjoy Holding Limited.

14. China Goldjoy Group Limited's deemed shareholdings stated above were held by virtue of its 100% shareholding interest in Great Sphere Developments Limited.

15. Tinmark Development Limited's deemed shareholdings stated above were held by virtue of its 48.86% shareholding interest in China Goldjoy Group Limited.

16. Mr. Yao Jianhui's deemed shareholdings stated above were held by virtue of its 100% shareholding interest in Tinmark Development Limited.

17. Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file disclosure of interests forms (the "DI Forms") when certain criteria are fulfilled and the full details of the requirements are available on the Stock Exchange's official website. When a shareholder's shareholdings in the Company changes, it is not necessary to notify the Company and the Stock Exchange unless certain criteria are fulfilled. Therefore, substantial shareholders' latest shareholdings in the Company may be different to the shareholdings filed with the Company and the Stock Exchange. The above statements of substantial shareholders' interests are prepared based on the information in the relevant DI Forms received by the Company as of 30 June 2017. The Company may not have sufficient information on the breakdown of the relevant interests and cannot verify the accuracy of information on the DI Forms.

* *For identification purposes*

Abbreviations: "L" stands for long position

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Share Option Scheme" and "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the year was the Company, any of its holdings companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or the chief executives of the Company or any of their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPLIANCE WITH THE REQUIREMENT OF TIMELY LODGMENT OF TRADE DECLARATIONS UNDER THE IAE REGISTRATION REGULATIONS

As disclosed in the Prospectus, the Company will, for the first two years after Listing, report its compliance with the requirement of timely lodgement of trade declarations under the Import and Export (Registration) Regulations ("IAE Registration Regulation", Chapter 60E of the Laws of Hong Kong) in its annual and interim reports. Since 1 October 2014 and up to 30 June 2017, all trade declarations lodged by the Group were lodged within the prescribed 14-day period under the IAE Registration Regulation. For compliance status during the period between 1 July 2012 and 30 September 2014, please refer to the Prospectus for details.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

For the year ended 30 June 2017, the Directors are not aware of any business or interest of the Directors, the controlling Shareholders and their respective 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.

COMPLIANCE ADVISERS' INTERESTS

On 7 June 2016, Messis Capital Limited ("Messis") has been appointed as the compliance adviser of the Company pursuant to the requirements of Rule 6A.27 of the GEM Listing Rules.

The compliance adviser's appointment entered into between Messis and the Company is for a period commencing on 7 June 2016 and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the dispatch of its annual report of the financial results for the second full financial year commencing after that date, i.e. for the year ended 30 June 2017, or until the compliance adviser agreement is terminated in accordance with its terms and conditions, whichever is earlier. Pursuant to the compliance adviser agreement entered into between Messis and the Company, Messis will receive fees for acting as the Company's compliance adviser.

Neither Messis nor any of their directors, employees or close associate who have been involved in providing advice to the Company, has or may have any interest in any securities of the Company or which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to adopt corporate governance practices. The Company's corporate governance practices are set out in the Corporate Governance Report on pages 26 to 39 of this Annual Report.

AUDITORS

Following the resignation of HLB Hodgson Impey Cheng Limited ("HLB") as auditors of the Company on 24 April 2017, RSM Hong Kong ("RSM") was appointed as the auditors of the Company by the shareholders of the Company at the extraordinary general meeting held on 31 May 2017 to fill in the vacancy following the resignation of HLB.

The Board confirmed that there was no disagreement between HLB and the Company.

Save as disclosed above, there were no other changes in auditors of the Company during the past three years.

The consolidated financial statements for the year ended 30 June 2017 have been audited by RSM who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of RSM as auditors of the Company.

On behalf of the Board

Zhu Yongjun
Chairman

Hong Kong
26 September 2017

CORPORATE GOVERNANCE PRACTICES

The Group's corporate governance framework bases on two main beliefs:

- the Group is well-committed to maintain good corporate governance practices and procedures; and
- the Group recognises the need to adopt practices that improve itself continuously for a quality management.

Accordingly, the Group is committed to maintain high standards of corporate governance with a view to safeguarding the interests of its shareholders. To accomplish this, the Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Codes") contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. During the year ended 30 June 2017, the Group is in compliance with the CG 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 Annual Report.
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.
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.	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 which 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.

COMPLIANCE WITH CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors ("Securities Code") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Each of the Directors gave confirmation that he/she was in compliance with the Securities Code during the year ended 30 June 2017.

BOARD OF DIRECTORS

Board Composition

As at the date of this annual report, the Board comprises four executive Directors and three INEDs as named below. An updated list of the Directors identifying their roles and functions is posted on GEM's website and the Company's website from time to time.

Executive Directors:

Mr. ZHU Yongjun — *Chairman*
Ms. WANG Fei — *Chief Executive Officer* (Appointed on 5 September 2017)
Mr. TANG Yau Sing
Ms. TIAN Yuan (Appointed on 28 July 2017)

Independent Non-Executive Directors:

Mr. CHEUNG Kam Tong Antonio
Mr. CHUI Man Lung Everett
Mr. HAN Chu

The biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" section of this annual report.

In compliance with Rules 5.05(1) and (2) of the GEM Listing Rules, at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

Each Director has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently. The Board provides the Group with diversified industry expertise, advised the management on strategic development and the Board maintains high standard of compliance with financial and other mandatory reporting requirements as well as provides adequate checks and balances to safeguard the interests of Shareholders and the Company as a whole.

BOARD OF DIRECTORS (continued)

Board Diversity

In compliance with the requirement set out in Code Provision A.5.6 of the CG Code, the Company has put in place a Board diversity policy (the "Board Diversity Policy") which sets out its approach to achieve diversity on the Board with a view to achieving a sustainable and balanced development of the Company.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills knowledge and length of service. The Company will also take into account factors based on its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Chairman and the Chief Executive Officer

During the year ended 30 June 2017, Mr. Zhu Yongjun acted as the Chairman and the CEO of the Company from 17 March 2017. However, on 5 September 2017, Ms. Wang Fei was appointed as the CEO of the Company following the step down of Mr. Zhu Yongjun as the CEO. Mr. Zhu Yongjun is responsible for enabling effective operation of the Board and Ms. Wang Fei is responsible for the day-to-day management of the Group's business.

Role and Function of the Board and the Management

The Company has set out the respective functions and responsibilities which can be reserved to the Board and delegated to management or Board committees. The Board delegates day-to-day operations of the Group to management while reserving certain key matters, mainly relating to the approval and monitoring of the Group's overall strategies, policies and business plans; and overseeing and evaluating the performance of the Group. It is also responsible for promoting the success of the Group and its businesses by directing and supervising the Group's affairs. Board committees for specific functions are also set up to ensure efficient Board operations. The composition and functions of each Board committee and their major roles and functions are described below. The final decision still rests with the Board unless otherwise provided for in the terms of reference of the relevant committees.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmations of independence from each of the INEDs in accordance with Rule 5.09 of the GEM Listing Rules. The Directors consider that all the INEDs remain independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into an executive Director's service agreement with the Company and each of the INEDs has entered into a letter of appointment with specific terms with the Company. All Directors are subject to retirement by rotation and are eligible for re-election at the general meeting in accordance with the Articles of Association.

Pursuant to the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not three (3) or a multiple of three (3), then the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed by the Board to fill a casual vacancy or as an additional Director shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

Every Director, including non-executive Directors and INEDs, was appointed for a term of three years and would be subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company. Their appointments would be reviewed by Nomination Committee when they were due for re-election.

BOARD MEETINGS

The Group adopted the practice of holding Board meetings that included both executive Directors and INEDs presented in person or through electronic means of communication regularly at least four times every year. During regular meetings of the Board, the Directors discussed and formulated the overall strategies of the Group, monitored financial performances and reviewed the financial results, as well as discussed and decided on other significant matters. The Board will also meet on other occasions when a board-level decision on a particular matter is required.

Generally, notice of at least fourteen days should be given for a Company's regular Board meeting. For all other Board meetings, reasonable notice should be given. The Directors will receive the agenda and accompanying documents tabled at the meeting before regular Board meetings and will be given an opportunity to include matters in the agenda for discussion.

In order to ensure that Board procedures, applicable rules and code provisions are followed. All Directors are able to access the company secretary of the Company for advice. Upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances at the Company's expense.

The company secretary of the Company has assisted the Chairman of the Board in preparing the agenda for each meeting. Minutes of such meetings are kept by the company secretary of the Company or other duly authorised person during the meeting which included all decisions made during the meetings together with concerns raised and dissenting views expressed (if any). All minutes are open for inspection by any Director on reasonable notice. Such minutes are recorded in sufficient detail of the matters considered and decisions reached. Draft and final versions of minutes are sent to Directors for comment and records, respectively.

During the year ended 30 June 2017, seven Board meetings (excluding committee meetings) were held and attendance of each Director is set out below.

BOARD MEETINGS (continued)

Directors	No. of meetings attended/ No. of meetings held
Executive Directors	
Mr. ZHU Yongjun (Appointed on 24 February 2017)	1/1
Ms. WANG Fei (Appointed on 5 September 2017)	0/0
Mr. TANG Yau Sing (Appointed on 24 February 2017)	1/1
Ms. TIAN Yuan (Appointed on 28 July 2017)	0/0
Ms. CHEUNG Woon Yiu (Resigned on 17 March 2017)	7/7
Ms. LAM Wai Si Grace (Resigned on 17 March 2017)	7/7
Mr. CHING Wai Man (Resigned on 17 March 2017)	7/7
Non-Executive Directors	
Mr. SHAO Zuo Sheng (Appointed on 24 February 2017 and resigned on 28 July 2017)	1/1
Ms. NG Lai Hung (Resigned on 17 March 2017)	7/7
Independent Non-Executive Directors	
Mr. CHEUNG Kam Tong Antonio (Appointed on 24 February 2017)	1/1
Mr. CHUI Man Lung Everett (Appointed on 24 February 2017)	1/1
Mr. HAN Chu (Appointed on 1 March 2017)	1/1
Dr. WONG Wai Kong (Resigned on 17 March 2017)	7/7
Mr. HOW Sze Ming (Resigned on 17 March 2017)	7/7
Mr. Philip David THACKER (Resigned on 17 March 2017)	7/7

All Directors gave sufficient time and attention to the affairs of the Group to ensure a competent Board operation during the year ended 30 June 2017.

Apart from the Board meetings, Board committees met on other occasions during which matter relating to their respective terms of reference was discussed. The Board committee members would receive notice, agenda and documents to be tabled for consideration in advance of each meeting in accordance with the CG Code and respective terms of reference.

DIRECTORS AND OFFICERS' LIABILITY INSURANCE

The Company has arranged appropriate liability insurance to cover the Directors and officers' risk exposure arising out of corporate activities. The insurance coverage is reviewed annually.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

A comprehensive, formal and tailored induction training will be given to every newly appointed Director. Directors will be provided with materials relevant to the Company's business and director's duties and responsibilities. In addition, in order to allow the Directors to understand the latest development of regulatory and compliance issues, they are also provided with market news and regulatory updates. A summary of their records of continuous development training ("CPD") is as follows:

Directors	Types of CPD	Subject of CPD
Executive Directors		
Mr. ZHU Yongjun (Appointed on 24 February 2017)	1, 2	A, B
Ms. WANG Fei (Appointed on 5 September 2017)	1, 2	A, B
Mr. TANG Yau Sing (Appointed on 24 February 2017)	1, 2	A, B
Ms. TIAN Yuan (Appointed on 28 July 2017)	1, 2	A, B
Ms. CHEUNG Woon Yiu (Resigned on 17 March 2017)	2	A
Ms. LAM Wai Si Grace (Resigned on 17 March 2017)	2	A
Mr. CHING Wai Man (Resigned on 17 March 2017)	2	A
Non-Executive Directors		
Mr. SHAO Zuo Sheng (Appointed on 24 February 2017 and resigned on 28 July 2017)	1, 2	A, B
Ms. NG Lai Hung (Resigned on 17 March 2017)	1, 2	A
Independent Non-Executive Directors		
Mr. CHEUNG Kam Tong Antonio (Appointed on 24 February 2017)	1, 2	A, B
Mr. CHUI Man Lung Everett (Appointed on 24 February 2017)	1, 2	A, B
Mr. HAN Chu (Appointed on 1 March 2017)	1, 2	A, B
Dr. WONG Wai Kong (Resigned on 17 March 2017)	2	A
Mr. HOW Sze Ming (Resigned on 17 March 2017)	2	A
Mr. Philip David THACKER (Resigned on 17 March 2017)	2	A

Note 1:

1. Attending in-house training or seminars

2. Reading newspapers, journals and updated legal and regulatory news

Note 2:

A. The Company and the industry's news

B. Laws, rules and regulations, accounting standards

BOARD COMMITTEES

The Board has established four committees, namely the audit committee ("Audit Committee"), remuneration committee ("Remuneration Committee"), nomination committee ("Nomination Committee") and corporate governance committee ("CG Committee") for overseeing various particular aspects of the Group's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of such Board committees are available on GEM's website and the Company's website. The Board committees are provided with sufficient resource to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

The majority of the members of the Corporate Governance Committee are INEDs and all members of Audit Committee, Remuneration Committee and the Nomination Committee are INEDs. The lists of the chairman and members of each Board committee are set out below.

Audit Committee

The Company established the Audit Committee on 28 January 2015 with written terms of reference. As at the date of this annual report, the Audit Committee comprises three INEDs, namely Mr. Chui Man Lung Everett (Chairman of the Audit Committee), Mr. Cheung Kam Tong Antonio and Mr. Han Chu. Mr. Chui Man Lung Everett has appropriate professional qualifications and experience in accounting matters.

The principal responsibilities of the Audit Committee include overseeing the Group's financial reporting system, risk management and internal control procedures, reviewing the Group's financial information and reviewing the Group's relationship with external auditors.

During the year ended 30 June 2017, two meetings of the Audit Committee were held to review the financial results of the Group, including the accounting principles and practices adopted, risk management and internal control systems and financial reporting matters (in conjunction with the external auditors for the audited results), and written resolutions of the Audit Committee were passed to approve the change of external auditors. The Audit Committee endorsed the accounting treatments adopted by the Group and, to the best of its ability assured itself that the disclosures of the financial information in the Company's quarterly, interim and annual reports comply with the applicable accounting standards and the GEM Listing Rules. The individual attendance record of each Audit Committee member is as follows:

Directors	No. of meetings attended/ No. of meetings held
Mr. CHUI Man Lung Everett (Appointed on 1 March 2017)	0/0
Mr. CHEUNG Kam Tong Antonio (Appointed on 1 March 2017)	0/0
Mr. HAN Chu (Appointed on 1 March 2017)	0/0
Dr. WONG Wai Kong (Resigned on 17 March 2017)	2/2
Mr. HOW Sze Ming (Resigned on 17 March 2017)	2/2
Mr. Philip David THACKER (Resigned on 17 March 2017)	2/2

The Group's unaudited quarterly and interim results and audited annual results published during the year ended 30 June 2017 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

BOARD COMMITTEES (continued)

Remuneration Committee

The Company established the Remuneration Committee on 28 January 2015 with written terms of reference. In line with good and fair practice, as at the date of this annual report, the Remuneration Committee comprises three INEDs, namely Mr. Cheung Kam Tong Antonio (Chairman of the Remuneration Committee), Mr. Chui Man Lung Everett and Mr. Han Chu.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Group's policy and structure for remuneration of all Directors and senior management; reviewing their remuneration packages, approving the management's proposal of remuneration packages by reference to corporate goals, objectives and market practices.

During the year ended 30 June 2017, two meetings of the Remuneration Committee were held to review the structure and policy of remuneration of the Group and approve the remuneration package of Directors and senior management and written resolutions of the Remuneration Committee were passed to approve the remuneration package of new Directors. The emoluments of the Directors are reviewed by the Remuneration Committee according to the Directors' respective responsibilities, individual performance and prevailing market conditions.

Directors	No. of meetings attended/ No. of meetings held
Mr. CHEUNG Kam Tong Antonio (Appointed on 1 March 2017)	0/0
Mr. CHUI Man Lung Everett (Appointed on 1 March 2017)	0/0
Mr. HAN Chu (Appointed on 1 March 2017)	0/0
Mr. HOW Sze Ming (Resigned on 17 March 2017)	2/2
Dr. WONG Wai Kong (Resigned on 17 March 2017)	2/2
Ms. LAM Wai Si Grace (Resigned on 17 March 2017)	2/2

Nomination Committee

The Company established the Nomination Committee on 28 January 2015 with written terms of reference. As at the date of this annual report, the Nomination Committee comprises three INEDs, namely Mr. Han Chu (Chairman of the Nomination Committee), Mr. Cheung Kam Tong Antonio and Mr. Chui Man Lung Everett.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition of the Board and the Board Diversity Policy, formulating nomination policy, making recommendations to the Board on nomination, rotation and re-appointment of Directors as well as assessing the independence of INEDs.

During the year ended 30 June 2017, one meeting of the Nomination Committee was held to review the structure, size, composition and diversification (including the skills, knowledge and experience) of the Board, review the policy of Directors' nomination related matters, assess the independence of INEDs and make recommendations to the Board on the proposal of re-appointment of Directors at the forthcoming annual general meeting and written resolutions of the Nomination Committee were passed to make recommendation to the Board on the appointment of new Directors. The individual attendance record of each Nomination Committee member is as follows:

BOARD COMMITTEES (continued)

Nomination Committee (continued)

Directors	No. of meetings attended/ No. of meetings held
Mr. HAN Chu (Appointed on 1 March 2017)	0/0
Mr. CHEUNG Kam Tong Antonio (Appointed on 1 March 2017)	0/0
Mr. CHUI Man Lung Everett (Appointed on 1 March 2017)	0/0
Ms. CHEUNG Woon Yiu (Resigned on 17 March 2017)	1/1
Dr. WONG Wai Kong (Resigned on 17 March 2017)	1/1
Mr. HOW Sze Ming (Resigned on 17 March 2017)	1/1

Corporate Governance Committee

The Company established the CG Committee on 28 January 2015 with written terms of reference. As at the date of this annual report, the CG Committee comprises three INEDs, namely Mr. Chui Man Lung Everett (Chairman of the CG Committee), Mr. Cheung Kam Tong Antonio and Mr. Han Chu, and one executive Director, namely Ms. Wang Fei.

The principal responsibilities of the CG Committee include review of the Group's corporate governance practice and procedures and oversee of the Company's compliance to the CG Codes.

During the year ended 30 June 2017, one meeting of the CG Committee was held to review the Group's corporate governance policy, practice and procedures and oversee of the Company's compliance with the CG codes. The individual attendance record of each CG Committee member is as follows:

Directors	No. of meetings attended/ No. of meetings held
Mr. CHUI Man Lung Everett (Appointed on 1 March 2017)	0/0
Mr. CHEUNG Kam Tong Antonio (Appointed on 1 March 2017)	0/0
Mr. HAN Chu (Appointed on 1 March 2017)	0/0
Ms. WANG Fei (Appointed on 5 September 2017)	0/0
Mr. TANG Yau Sing (Appointed on 17 March 2017 and resigned on 5 September 2017)	0/0
Ms. NG Lai Hung (Resigned on 17 March 2017)	1/1
Dr. WONG Wai Kong (Resigned on 17 March 2017)	1/1
Mr. HOW Sze Ming (Resigned on 17 March 2017)	1/1
Mr. Philip David THACKER (Resigned on 17 March 2017)	1/1

COMPANY SECRETARY

Ms. Foo Man Yee Carina of CS Legend Corporate Services Limited, an external service provider, has been engaged by the Company as its company secretary since 19 May 2017. Its primary contact person at the Company is Mr. Tang Yau Sing, an executive Director of the Company.

During the year ended 30 June 2017, the company secretary has undertaken not less than 15 hours of relevant professional training required under Rule 5.15 of the GEM Listing Rules.

COMPLIANCE OFFICER

Mr. Tang Yau Sing, an executive Director, has been the compliance officer of the Company since 17 March 2017. Please refer to the section headed "Biographical Details of Directors and Senior Management" for his biographical information.

ACCOUNTABILITY AND AUDIT

Change of Auditors

RSM was appointed as auditors of the Company at the extraordinary general meeting of the Company held on 31 May 2017 following the resignation of HLB, the previous auditors of the Company.

Directors' and Auditors' Responsibilities for the Consolidated Financial Statements

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements of the Group.

The statements of the external auditors of the Group, RSM, about their reporting responsibilities on the consolidated financial statements of the Group are set out in the section headed "Independent Auditor's Report" of this annual report.

Auditors' Remuneration

The Audit Committee is responsible for considering and reviewing the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Group.

For the year ended 30 June 2017, the fees paid/payable to the auditors in respect of the audit services are as follows:

Services	Fee HK$'000
Audit services	830

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems ("Systems") and reviewing their effectiveness annually. Such Systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective Systems.

The Company has been developing and adopting various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, financial reporting, human resources etc. The main features are as follows:

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Control structure

A. The Board

(i) ensure the maintenance of appropriate and effective Systems in order to safeguard the Shareholders' investment and assets of the Company;

(ii) define management structure with clear lines of responsibility and limit of authority; and

(iii) determine the nature and extent of significant risk that the Company is willing to take in achieving the strategic objectives and formulate the Company's risk management strategies.

B. Audit Committee

(i) assist the Board in leading the Management and overseeing their design, implementation and monitoring of the Systems of the Company;

(ii) review and discuss with the Management annually to ensure that the Management has performed its duty to have effective Systems; and

(iii) consider major findings on internal control matters and make recommendations to the Board.

C. The Management

(i) design, implement and monitor the Systems properly and ensure the Systems are executed effectively;

(ii) monitor risks and take measures to mitigate risks in day-to-day operations;

(iii) give prompt responses to, and follow up the findings on internal control matters; and

(iv) provide confirmation to the Board on the effectiveness of the Systems.

D. Internal Audit Function

(i) carry out the analysis and independent appraisal of the adequacy and effectiveness of the Systems.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Control approach

The risk management process includes risk identification, risk evaluation and risk management measures and also reviewing the effectiveness of the Systems and resolving material internal control defects.

The Management conducted interviews with relevant staff members, reviewing relevant documentation of the internal control system, identifying and evaluating findings of any deficiencies in the design of the Company's internal control system, providing recommendations for improvement and following up on the effectiveness of implementation of such recommendations, where appropriate. The scope and findings of review on the risk management and internal control are reported to and reviewed by the Audit Committee during the year.

Procedure manuals and operational guidelines are in place to safeguard the assets against unauthorised use or disposition, ensuring maintenance of proper accounting records in compliance with the applicable laws, rules and regulations for the provision of reliable financial information for internal use and/or external publication.

During the year under review, the Board engaged an external consulting firm to perform internal control review on major business operations of the Group. The external consultants evaluated the internal control system and studied also risks and mitigation strategies. An internal control review report with the relevant findings and recommendations was prepared to the Board. Meanwhile, the risks identified during the review exercise together with the respective ratings, existing situations and mitigating plans were all documented in the risk register. Accordingly, the Board is of the view that the systems of internal control and risk management are effective and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness of the Group's internal control system.

The Board, in conjunction with the Audit Committee, annually assessed and reviewed the effectiveness of the internal control systems and procedures and considered the adequacy of resources and financial reporting function. As such, the Group currently does not have an internal audit department. The Board will review and consider to establish such department as and when it thinks necessary.

Inside Information

To ensure timely, fair, accurate and complete disclosure of inside information and for compliance with the applicable laws and regulations, the Group has in place, as an internal control element, procedures for handling and dissemination of inside information. Under the procedures, heads of business units shall report to the Directors any potential inside information event as soon as practicable when it materializes for determining the nature of developments, and if required, making disclosure.

Annual Review

During the year, the Audit Committee has conducted an annual review of the risk management and internal control systems. The results of the review were reported by the Audit Committee to the Board, based on which the Directors concluded that, for the year ended 30 June 2017, the risk management and internal control systems were effective and adequate and the Group has complied with the provisions in the CG Code regarding risk management and internal control.

SHAREHOLDERS' RIGHTS

Pursuant to Article 64 of the Company's Articles of Association, any one or more Shareholders ("Requisitionist(s)") holding not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings at the date of deposit of the requisition shall have the right, by written notice to the Board or the company secretary of the Company, to require an EGM to be called by the Directors for the transaction of any business specified in such requisition.

Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such EGM, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expense incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

The requisition in writing should be sent to the Company's principal place of business at Unit 3401, 34/F., Tower 1, Lippo Centre, No. 89 Queensway, Admiralty, Hong Kong.

The same procedure also applies to any proposal to be tabled at shareholders' meetings for adoption. The Board will review Shareholders' enquires on a regular basis. Specific enquiries and suggestions by Shareholders can be sent in writing to the Board or the company secretary at the above address.

In case of shareholding enquires, Shareholders should direct their enquiries to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, via its online holding enquiry at www.tricoris.com, or by email to is-enquiries@hk.tricorglobal.com or dial its hotline at (852) 2980 1333 or go in person at its public counter at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

COMMUNICATION WITH SHAREHOLDERS

The Group is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its Shareholders. The focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete thereby enabling the public as well as the investors to make rational and informed decisions.

The Board strives to encourage and maintain constant dialogue with its Shareholders through various means. The Company updates its Shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. All Shareholders' communications are available on the Company's website. The website of the Company also provides email address, postal address, fax number and telephone number by which Shareholders' enquiries may be put to the Company's Board. Appropriate members of the Board and senior management are ready to respond to enquiries from Shareholders and investors on a timely basis.

The annual general meeting of the Company provides a useful forum for Shareholders to exchange views with the Board. All Directors will make an effort to attend. External auditors are also available at the annual general meeting to address Shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval, members of the independent Board committee will also make an effort to attend to address Shareholders' queries.

COMMUNICATION WITH SHAREHOLDERS (continued)

During the year ended 30 June 2017, an annual general meeting and an extraordinary general meeting were held and attendance of each Director is set out below.

Directors	No. of meetings attended/ No. of meetings held
Executive Directors	
Mr. ZHU Yongjun (Appointed on 24 February 2017)	0/1
Ms. WANG Fei (Appointed on 5 September 2017)	0/0
Mr. TANG Yau Sing (Appointed on 24 February 2017)	1/1
Ms. TIAN Yuan (Appointed on 28 July 2017)	0/0
Ms. CHEUNG Woon Yiu (Resigned on 17 March 2017)	1/1
Ms. LAM Wai Si Grace (Resigned on 17 March 2017)	1/1
Mr. CHING Wai Man (Resigned on 17 March 2017)	1/1
Non-Executive Director	
Mr. SHAO Zuo Sheng (Appointed on 24 February 2017 and resigned on 28 July 2017)	0/1
Ms. NG Lai Hung (Resigned on 17 March 2017)	1/1
Independent Non-Executive Directors	
Mr. CHEUNG Kam Tong Antonio (Appointed on 24 February 2017)	0/1
Mr. CHUI Man Lung Everett (Appointed on 24 February 2017)	1/1
Mr. HAN Chu (Appointed on 1 March 2017)	0/1
Dr. WONG Wai Kong (Resigned on 17 March 2017)	1/1
Mr. HOW Sze Ming (Resigned on 17 March 2017)	1/1
Mr. Philip David THACKER (Resigned on 17 March 2017)	1/1

CONSTITUTIONAL DOCUMENTS

During the year ended 30 June 2017, there was no significant change in the constitutional documents.

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TO THE SHAREHOLDERS OF MILLION STARS HOLDINGS LIMITED
(FORMERLY KNOWN AS ODELLA LEATHER HOLDINGS LIMITED)
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Million Stars Holdings Limited (formerly known as Odella Leather Holdings Limited) ("the Company") and its subsidiaries (the "Group") set out on pages 45 to 87, which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter we identified is:

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for obsolete or slow moving inventories	
We identified the provision for obsolete or slow moving inventories as a key audit matter due to the significance of the inventory balance to the consolidated financial statements and the judgement involved in assessing the net realisable value of the relevant inventories. As disclosed in notes 5 and 18 to the consolidated financial statements, management assessed the provision at each period end on an item-by-item basis for obsolete or slow moving inventories based on consideration of obsolescence of raw materials and work in progress, and the net realisable value of finished goods. The identification of inventory obsolescence and determination of estimated selling price less cost to sell require the use of significant judgement and estimates, including their nature, ageing, latest selling price, and expectation of future sales orders. The estimates are also subject to uncertainty of market trends and customer demands. As at 30 June 2017, the carrying amount of inventories reported by the Group is HK$7,622,000 (net of provision for inventories of HK$Nil).	Our procedures in relation to provision for obsolete or slow moving inventories included: • Assessing the reasonableness of the methods and assumptions used by management to identify slow moving inventories, obsolete inventories and inventories with negative margins; • Testing, on a sample basis, the net realisable value of inventories with reference to the recent or subsequent selling prices or usage; and • Testing, on a sample basis, the inventory ageing analysis.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all the information in the Company's 2017 annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidation financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the Other Information, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibility for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Liu Eugene.

RSM Hong Kong
Certified Public Accountants

Hong Kong
26 September 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Revenue	7	**62,189**	55,847
Cost of sales		**(38,149)**	(35,130)
Gross profit		**24,040**	20,717
Other income, gain/(losses)	8	**1,196**	289
Selling and distribution expenses		**(2,730)**	(2,379)
Administrative expenses		**(23,254)**	(14,439)
(Loss)/profit before tax	9	**(748)**	4,188
Income tax expense	10	**(2,012)**	(361)
(Loss)/profit for the year attributable to owners of the Company		**(2,760)**	3,827
Other comprehensive income			
Item that may be reclassified to profit or loss:			
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			
Basic and diluted (HK cents)	14	**(0.69)**	0.96

Consolidated Statement of Financial Position

At 30 June 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	15	**1,203**	498
Goodwill	16	**153**	–
		1,356	498
Current assets			
Inventories	18	**7,622**	6,202
Trade receivables	19	**8,583**	9,476
Deposits, prepayments and other receivables	20	**14,242**	1,571
Current tax assets		**1,485**	–
Bank and cash balances	21	**41,567**	48,988
Pledged bank deposits	21	**1,048**	3,031
		74,547	69,268
Current liabilities			
Trade payables	22	**2,271**	1,496
Accruals, other payables and trade deposits received	23	**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	24	**13**	22
NET ASSETS		**59,593**	61,872
Capital and reserves			
Share capital	25	**4,000**	4,000
Reserves		**55,593**	57,872
TOTAL EQUITY		**59,593**	61,872

Approved by the Board of Directors on 26 September 2017 and are signed on its behalf by:

ZHU Yongjun
Director

TIAN Yuan
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Statutory reserve HK$'000 (note i)	Exchange reserve HK$'000 (note ii)	Other reserve HK$'000 (note iii)	Retained profits HK$'000	Total HK$'000
As 1 July 2015	4,000	39,782	208	184	100	13,679	57,953
Total comprehensive income for the year	–	–	–	92	–	3,827	3,919
As at 30 June 2016 and 1 July 2016	**4,000**	**39,782**	**208**	**276**	**100**	**17,506**	**61,872**
Total comprehensive income for the year	**–**	**–**	**–**	**481**	**–**	**(2,760)**	**(2,279)**
As at 30 June 2017	**4,000**	**39,782**	**208**	**757**	**100**	**14,746**	**59,593**

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 he maintained at a minimum 25% of capital after such usage.

(ii) Exchange reserve

Exchange reserve represents exchange differences relating to the translation of the net assets of the foreign operations of the Group 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 reserve. Such exchange differences accumulated in the exchange 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 for listing in February 2015.

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(748)**	4,188
Adjustments for:			
Interest income	8	**(36)**	(226)
Depreciation	15	**232**	125
Gain on bargain purchase	8	**(1,003)**	–
Loss on disposal of property, plant and equipment	9	**–**	11
Impairment loss on trade receivables	9	**–**	89
Operating (loss)/profit before working capital changes		**(1,555)**	4,187
Increase in inventories		**(1,420)**	(3,997)
Decrease in trade receivables		**2,072**	17,231
(Increase)/decrease in deposits, prepayments and other receivables		**(11,446)**	1,168
Increase in trade payables		**775**	200
Increase/(decrease) in accruals, other payables and trade deposits received		**4,129**	(2,475)
Cash (used in)/generated from operations		**(7,445)**	16,314
Interest received		**36**	226
Income tax paid		**(3,194)**	(3,855)
Net cash (used in)/generated from operating activities		**(10,603)**	12,685
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	28	**1,538**	–
Purchases of property, plant and equipment	15	**(826)**	(336)
Net cash generated from/(used in) investing activities		**712**	(336)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in pledged bank deposits		**1,983**	317
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(7,908)**	12,666
CASH AND CASH EQUIVALENTS AT 1 JULY		**48,988**	36,388
Effect of foreign exchange rate changes, net		**487**	(66)
CASH AND CASH EQUIVALENTS AT 30 JUNE		**41,567**	48,988
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**41,567**	48,988

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 set out in note 17 to the consolidated financial statements.

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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

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.

As disclosed in note 29, 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. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currency translation (continued)

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the exchange reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

Property, plant and equipment, held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Machinery and equipment	10%–20%
Furniture, fixtures and office equipment	20%–50%
Motor vehicles	10%–30%
Leasehold improvements	50% or over the lease term, whichever is shorter

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(h) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets under the category of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank and cash balances are classified in this category.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(l) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of manufactured goods and trading of raw materials is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Revenue from technical support services is recognised as services rendered.

Revenue from promotion of mobile game as services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(p) Share-based payments

The Company operates a share option scheme for purpose to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

(q) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Taxation (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(r) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGUs are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(u) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. KEY ESTIMATES

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 30 June 2017 was HK$1,203,000 (2016: HK$498,000).

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 30 June 2017, no accumulated impairment loss for bad and doubtful debts (2016: Nil).

(c) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. No allowance for slow-moving inventories was made for the year ended 30 June 2017 (2016: Nil).

(d) Income tax and deferred tax

The Group is mainly subject to income tax in Hong Kong and the PRC. Significant estimates are required in determining the provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred tax assets and liabilities are determined using income tax rates that are expected to apply when the related deferred tax assets are realised or the deferred tax liabilities are settled. The expected applicable income tax rate is determined based on the enacted tax laws and regulations and the actual situation of the Group. The management will revise the expectation where the final income tax rate is different from the original expectation.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities, Hong Kong dollars ("HK$"), United States dollars ("US$") and Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

As HK$ is pegged to US$, it is assumed that there would be no material foreign exchange risk exposure between US$ and HK$ and therefore US$ is excluded from the analysis below.

As at 30 June 2017, if HK$ had weakened 5% against RMB with all other variables held constant, consolidated loss before tax for the year would have been HK$1,180,000 higher (2016: consolidated profit before tax would have been HK$30,000 lower), arising mainly as a result of exchange loss on translation to HK$ against the relevant foreign currencies. If HK$ had strengthened 5% against RMB with all other variables held constant, consolidated loss before tax for the year would have been HK$1,180,000 lower (2016: consolidated profit before tax would have been HK$30,000 higher), arising mainly as a result of the foreign exchange gain on translation to HK$ against the relevant foreign currencies.

(b) Credit risk

The Group's credit risk is primarily attributable to its deposits at banks, trade receivables, deposits and other receivables.

Majority of the Group's sales are based on letters of credit and advances before delivery, and the remaining sales are made with credit term. Credit will only be granted to selected customers with long-term relationship and good credit history. Deposits and other receivables are made with counterparties with no recent history of default. The Group performs ongoing credit evaluations of its counterparties' financial conditions and has policies in place to ensure that receivables are followed up on a timely basis. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the consolidated financial statements. Save as those disclosed in note 19 to the consolidated financial statements, there are no other financial assets that are past due but not impaired. The financial assets included thereof relate to receivables for which there was no recent history of default.

The Group has concentration of credit risk as 15.11% (2016: 19.75%) and 48.88% (2016: 73.55%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

6. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 30 June 2017					
Trade payables	**2,271**	**–**	**–**	**–**	**2,771**
Accruals, other payables and trade deposits received	**9,649**	**–**	**–**	**–**	**9,649**
At 30 June 2016					
Trade payables	1,496	–	–	–	1,496
Accruals, other payables and trade deposits received	3,660	–	–	–	3,660

(d) Interest rate risk

The Group's cash flow interest rate risk primarily relates to bank deposits and pledged bank deposits bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to interest-rate risk arises from its bank deposits. These deposits bear interests at variable rates that vary with the then prevailing market condition.

The directors of the Company consider the Group's exposure to interest rate risk on bank deposits and fixed pledged bank deposits is not significant. Hence, no sensitivity analysis is presented.

(e) Categories of financial instruments at 30 June 2017

	2017 HK$'000	2016 HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**64,958**	62,680
Financial liabilities:		
Financial liabilities at amortised cost	**11,920**	5,156

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. 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**	–
	62,189	55,847

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.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. 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.

7. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

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 HK$'000	Online business support service HK$'000	Total HK$'000
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 HK$'000	Online business support service HK$'000	Total HK$'000
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

7. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

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

At 30 June 2016

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

7. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

Other segment information

Year ended 30 June 2017

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

Year ended 30 June 2016

	Leather business HK$'000	Online business support service HK$'000	Total HK$'000
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 HK$'000	2016 HK$'000
Leather business		
Customer A	**16,229**	10,012
Customer B	**6,633**	6,521

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.

7. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

Revenue from external customers

	2017 HK$'000	2016 HK$'000
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 (Note)	**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$'000	2016 HK$'000
PRC	**1,113**	292
Hong Kong	**170**	206
Taiwan	**73**	–
	1,356	498

8. OTHER INCOME, GAIN/(LOSSES)

	2017 HK$'000	2016 HK$'000
Interest income	**36**	226
Rental income	**12**	–
Sales of scrap materials	**–**	63
Exchange gain, net	**125**	–
Gain on bargain purchases (note 28)	**1,003**	–
Others	**20**	–
	1,196	289

9. (LOSS)/PROFIT BEFORE TAX

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

	2017 **HK$'000**	2016 HK$'000
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

* 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.

10. INCOME TAX EXPENSE

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

	2017 **HK$'000**	2016 HK$'000
Current income tax:		
Hong Kong Profits Tax	**700**	808
PRC Enterprise Income Tax	**1,341**	27
	2,041	835
Over-provision in prior years:		
Hong Kong Profits tax	**(20)**	(490)
Deferred tax (note 24)	**(9)**	16
Income tax expenses for the year	**2,012**	361

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.

10. INCOME TAX EXPENSE (continued)

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$'000	2016 HK$'000
(Loss)/profit before tax	**(748)**	4,188
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	**(9)**	16
Income tax expenses for the year	**2,012**	361

11. EMPLOYEE BENEFITS EXPENSE

	2017 HK$'000	2016 HK$'000
Employee benefits expense*:		
Salaries, bonuses and allowances	**18,769**	13,857
Retirement benefit scheme contributions	**936**	1,484
	19,705	15,341

* Included in cost of sales for the years ended 30 June 2017 and 2016 were staff costs of approximately HK$5,287,000 and HK$6,176,000 respectively.

Five highest paid individuals

The five highest paid individuals in the Group during the year included four (2016: three) directors whose emoluments are reflected in the analysis presented in note 12. The emoluments of the remaining one individual (2016: two individuals) is set out below:

	2017 HK$'000	2016 HK$'000
Salaries, bonuses and allowances	**456**	842
Retirement benefit scheme contributions	**18**	36
	474	878

11. EMPLOYEE BENEFITS EXPENSE (continued)

Five highest paid individuals (continued)

The emoluments fell within the following band:

	Number of individuals 2017	2016
Nil–HK$1,000,000	1	2

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

12. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

Name of Director	Director's fee HK$'000	Salaries and allowances HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Housing allowance HK$'000	Total HK$'000
Executive Directors					
Mr. Zhu Yongjun (Note (i)&(iv))	–	836	–	–	836
Mr. Tang Yau Sing (Note (i))	–	836	7	400	1,243
Ms. Cheung Woon Yiu (Note (iii))	–	416	14	–	430
Ms. Lam Wai Si Grace (Note (iii))	–	493	14	–	507
Mr. Ching Wai Man (Note (iii))	–	493	14	–	507
Non-executive Directors					
Mr. Shao Zuosheng (Note (i)&(v))	–	21	1	–	22
Ms. Ng Lai Hung (Note (iii))	–	125	6	–	131
Independent non-executive Directors					
Mr. Chui Man Lung Everett (Note (i))	–	105	5	–	110
Mr. Cheung Kam Tong Antonio (Note (i))	–	105	5	–	110
Mr. Han Chu (Note (ii))	–	100	–	–	100
Dr. Wong Wai Kong (Note (iii))	112	–	–	–	112
Mr. How Sze Ming (Note (iii))	112	–	–	–	112
Mr. Philip David Thacker (Note (iii))	112	–	–	–	112
Total for 2017	336	3,530	66	400	4,332

12. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' emoluments (continued)

Name of Director	Director's fee HK$'000	Salaries and allowances HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive Directors				
Ms. Cheung Woon Yiu (Note (iii))	–	500	18	518
Ms. Lam Wai Si Grace (Note (iii))	–	679	18	697
Mr. Ching Wai Man (Note (iii))	–	679	18	697
Non-executive Director				
Ms. Ng Lai Hung (Note (iii))	–	130	6	136
Independent non-executive Directors				
Dr. Wong Wai Kong (Note (iii))	120	–	–	120
Mr. How Sze Ming (Note (iii))	120	–	–	120
Mr. Philip David Thacker (Note (iii))	120	–	–	120
Total for 2016	360	1,988	60	2,408

Notes:

(i) Mr. Zhu Yongjun and Mr. Tang Yau Sing were appointed as executive directors on 24 February 2017. Mr. Shao Zuosheng was appointed as a non-executive director on 24 February 2017. Mr. Chui Man Lung Everett and Mr. Cheung Kam Tong Antonio were appointed as independent non-executive directors on 24 February 2017.

(ii) Mr. Han Chu was appointed as an independent non-executive director on 1 March 2017.

(iii) Ms. Cheung Woon Yiu, Ms. Lam Wai Si Grace, Mr. Ching Wai Man resigned as executive directors on 17 March 2017. Ms. Lam Wai Si Grace also resigned as the chief executive officer of the Company on the same day. Ms. Ng Lai Hung resigned as non-executive director on 17 March 2017. Dr. Wong Wai Kong, Mr. How Sze Ming and Mr. Philip David Thacker resigned as independent non-executive directors on 17 March 2017.

(iv) Mr. Zhu Yongjun was appointed as the chairman of the Board and the chief executive officer of the Company on 17 March 2017. Mr. Zhu Yongjun resigned as the chief executive officer of the Company on 5 September 2017.

(v) Mr. Shao Zuosheng resigned as a non-executive director on 28 July 2017.

During the years, no remuneration was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

13. DIVIDENDS

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

14. (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.

15. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles HK$'000	Furniture, fixtures and office equipment HK$'000	Machinery and equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
Cost					
At 1 July 2015	241	1,005	488	308	2,042
Additions	93	203	40	–	336
Disposals	(109)	–	–	–	(109)
Exchange differences	(9)	(16)	(20)	–	(45)
At 30 June 2016 and 1 July 2016	216	1,192	508	308	2,224
Acquisition of subsidiaries (note 28)	–	111	–	–	111
Additions	–	432	63	331	826
Exchange differences	(1)	(1)	(3)	(11)	(16)
At 30 June 2017	**215**	**1,734**	**568**	**628**	**3,145**
Accumulated depreciation					
At 1 July 2015	226	923	289	301	1,739
Charge for the year	9	56	53	7	125
Disposals	(98)	–	–	–	(98)
Exchange differences	(8)	(15)	(17)	–	(40)
At 30 June 2016 and 1 July 2016	129	964	325	308	1,726
Charge for the year	–	147	57	28	232
Exchange differences	–	(2)	(3)	(11)	(16)
At 30 June 2017	**129**	**1,109**	**379**	**325**	**1,942**
Carrying amount					
At 30 June 2017	**86**	**625**	**189**	**303**	**1,203**
At 30 June 2016	87	228	183	–	498

16. GOODWILL

As set out in Note 28(b) to the consolidated financial statements, goodwill of HK$153,000 was arisen on the acquisition of 深圳愛玩悦有限公司 (Shenzhen Ai Wan Yue Company Limited ("Ai Wan Yue")).

17. PRINCIPAL SUBSIDIARIES

As at 30 June 2017, the Company had direct and indirect interests in the following subsidiaries:

Name of Company (Note b)	Place of incorporation/ registration and operation	Share capital/ registered capital	Proportion of ownership interest and voting rights held by the Company (Note a)	Principal activities
Odella International Limited ("Odella BVI")	BVI	US$100 (Ordinary share capital)	100	Investment holdings
Perline Company Limited ("Perline")	Hong Kong	HK$200,000 (Ordinary share capital)	100	Sales, marketing and development of leather products
佛山市南海盛麗皮衣有限公司 (Foshan Nanhai Shengli Leather Garment Co. Ltd.)	PRC	HK$1,500,000 (Registered capital)	100	Manufacture of various leathers products, domestic and foreign trading (restricted items being subject to relevant approval)
Right Fortress Limited	Hong Kong	HK$1 (Ordinary share capital)	100	Management services
Million Stars (HK) Investments Limited	Hong Kong	HK$1 (Ordinary share capital)	100	Inactive
United Mutual Holdings Limited ("United Mutual")	Republic of Seychelles	US$100 (Ordinary share capital)	100	Investment holdings
Million Stars Internet Media Limited	Hong Kong	HK$1 (Ordinary share capital)	100	Investment holdings
New Sports Technology Holdings Limited ("Technology Holdings")	Republic of Seychelles	US$10,000 (Ordinary share capital)	100	Investment holdings
Jade King Investment Limited	Hong Kong	HK$1 (Ordinary share capital)	100	Investment holdings
New Sports Technology Limited	Hong Kong	HK$10,000 (Ordinary share capital)	100	Investment holdings

17. PRINCIPAL SUBSIDIARIES (continued)

Name of Company (Note b)	Place of incorporation/ registration and operation	Share capital/ registered capital	Proportion of ownership interest and voting rights held by the Company (Note a)	Principal activities
深圳市龍遊世紀科技有限公司 (Shenzhen Longyou Shiji Technology Limited ("Longyou Shiji"))	PRC	HK$20,000,000 (Registered capital)	100	Promotion of mobile game services
深圳盛世鵬龍科技有限公司 (Shenzhen Shengshi Penglong Technology Limited)	PRC	RMB5,000,000 (Registered capital)	100	Investment holdings
深圳市香蕉互娛科技有限公司 (Shenzhen Xiangjiao Huyu Technology Limited ("Xiangjiao Huyu"))	PRC	RMB10,000,000 (Registered capital)	100	Provision of technical support services
深圳愛玩悅有限公司 (Shenzhen Ai Wan Yue Company Limited)	PRC	RMB10,000,000 (Registered capital)	100	Promotion of mobile game services
Dragon Gate Global Co. Ltd. ("Dragon Gate")	BVI	US$50,000 (Ordinary share capital)	100	Investment holdings
龍門數位互動有限公司 (Longmen Digital Interactive Limited ("Longmen Digital"))	Taiwan	Taiwan Dollar ("TWD") 5,000,000 (Registered capital)	100	Provision of online gaming services
北京東潤欣動科技有限公司 (Beijing Dongrun Xindong Technology Limited ("Dongrun Xindong"))	PRC	HK$20,000,000 (Registered capital)	100	Inactive

Notes:

(a) Other than Odella BVI and United Mutual which is directly held by the Company, all subsidiaries are indirectly held by the Company.

(b) The English translation of the name is for identification purpose for PRC and Taiwan companies only.

18. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**3,972**	4,143
Work in progress	**3,086**	664
Finished goods	**564**	1,395
	7,622	6,202

19. TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**8,583**	9,476

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$'000	2016 HK$'000
Within 30 days	**8,123**	8,437
31 to 60 days	**258**	543
61 to 90 days	**62**	141
Over 90 days	**140**	355
	8,583	9,476

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
	1,578	2,250

19. TRADE RECEIVABLES (continued)

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

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**	–
	8,583	9,476

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Deposits	**1,158**	630
Prepayments	**482**	386
Other receivables	**12,602**	555
	14,242	1,571

Deposits and other receivables from independent third parties for whom there are no recent history of default.

21. BANK AND CASH BALANCES AND PLEDGED BANK DEPOSITS

	2017 HK$'000	2016 HK$'000
Bank and cash balances	**42,615**	52,019
Less: Pledged deposits for banking facilities	**(1,048)**	(3,031)
Cash and cash equivalents	**41,567**	48,988

21. BANK AND CASH BALANCES AND PLEDGED BANK DEPOSITS (continued)

Cash and cash equivalents are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
US$	**4,286**	20,683
HK$	**21,954**	27,563
RMB	**15,223**	706
Australian dollars	**27**	35
Euro	**1**	1
TWD	**76**	–
	41,567	48,988

As at 30 June 2017, the bank and cash balances of the Group denominated in RMB amounted to HK$14,617,000 (2016: HK$101,000) and located in the PRC. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Pledged bank deposits represent deposits pledged to a bank to secure bank facilities granted to the Group. The pledged bank deposits carry fixed interest rate of 0.125% (2016: 0.35%) per annum. Bank balances earn interests at floating rate based on daily bank deposit rates and is placed with creditworthy banks with no recent history of default. As at 30 June 2017 and 2016, all pledged bank deposits were denominated in US$.

22. TRADE PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**2,271**	1,496

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

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

22. TRADE PAYABLES (continued)

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

	2017 HK$'000	2016 HK$'000
US$	**1,139**	327
RMB	**778**	945
HK$	**284**	222
Euro	**70**	2
	2,271	1,496

23. ACCRUALS, OTHER PAYABLES AND TRADE DEPOSITS RECEIVED

	2017 HK$'000	2016 HK$'000
Accruals	**5,189**	3,548
Other payables	**4,760**	112
Trade deposits received	**2,360**	1,519
	12,309	5,179

There was no refundable deposit as at 30 June 2016 and 2017. All trade deposits received are non-interest bearing.

24. DEFERRED TAX

The following are the deferred tax liabilities and assets recognised by the Group.

	Decelerated depreciation allowances HK$'000	Accelerated depreciation allowances HK$'000	Total HK$'000
At 1 July 2015	12	(18)	(6)
Credit/(charge) to profit or loss for the year (note 10)	9	(25)	(16)
At 30 June 2016 and l July 2016	21	(43)	(22)
(Charge)/credit to profit or loss for the year (note 10)	(2)	11	9
At 30 June 2017	**19**	**(32)**	**(13)**

24. DEFERRED TAX (continued)

The above deferred tax assets and liabilities have been offset for presentation purpose in the consolidated statement of financial position for same tax jurisdiction.

At the end of the reporting period, the Group had unused tax losses of approximately HK$2,465,000 (2016: HK$Nil) available for offset against future profits. No deferred tax asset has been recognised in respect of approximately HK$2,465,000 (2016: HK$Nil) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$2,263,000 (2016: N/A) and HK$202,000 (2016: N/A) will expire in 2022 and 2027 respectively.

25. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Authorised:		
Ordinary Shares of HK$0.01 each at 1 July 2015 30 June 2016, 1 July 2016 and 30 June 2017	4,000,000	40,000
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	400,000	4,000

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

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by total equity. As at 30 June 2017 and 2016, the Group did not have any debt and thus no such ratio is presented.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

Based on the information that was publicly available to the Company and within the knowledge of its Directors, as at the date of this Annual Report, there was sufficient public float of not less than 25% of the Company's issued shares as required under the GEM Listing Rules.

26. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2017 HK$'000	2016 HK$'000
Non-current assets		
Property, plant and equipment	**622**	–
Investment in subsidiaries	**2**	1
	624	1
Current assets		
Deposits, prepayments and other receivables	**755**	90
Amounts due from subsidiaries	**58,444**	47,575
Bank and cash balances	**3,455**	2
	62,654	47,667
Current liabilities		
Accruals	**1,343**	100
Amount due to a subsidiary	**22,412**	–
	23,755	100
Net current assets	**38,899**	47,567
NET ASSETS	**39,523**	47,568
Capital and reserves		
Share capital	**4,000**	4,000
Reserves	**35,523**	43,568
TOTAL EQUITY	**39,523**	47,568

Approved by the Board of Directors on 26 September 2017 and are signed on its behalf by:

ZHU Yongjun	**TIAN Yuan**
Director	*Director*

26. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Reserves movement of the Company

	Share premium HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2015	39,782	19,570	(15,053)	44,299
Loss for the year	–	–	(731)	(731)
At 30 June 2016 and 1 July 2016	39,782	19,570	(15,784)	43,568
Loss for the year	–	–	(8,045)	(8,045)
At 30 June 2017	**39,782**	**19,570**	**(23,829)**	**35,523**

Note: Other reserve represents the different between the fair value of the shares of Perline acquired pursuant to the reorganisation for listing in 2015 over the nominal value of the Company's shares issued in exchange therefore.

27. SHARE OPTION SCHEME

The Company administers a share option scheme (the "Share Option Scheme") which was adopted on 28 January 2015 by a shareholders' written resolution. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives and rewards for their contribution to the Group. It became effective for a period of 10 years commencing on the date on which the Share Option Scheme was adopted. Eligible participants of the Share Option Scheme include employees, directors, suppliers, customers, shareholders, advisers or consultants, research, development or other technological support personnel or entities of the Company, its subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest and other selected participants (the "Eligible Participants").

The total number of shares which may be issued and allotted upon the exercise of all options to be granted under the Share Option Scheme is 40,000,000 shares, representing 10% of the total number of issued shares as at the date of this annual report.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The total number of the shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue on the date of listing, subject to refreshment of such limit as approved by shareholders.

27. SHARE OPTION SCHEME (continued)

The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options in excess of such limit must be separately approved by the shareholders in general meeting. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective close associates would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% of the shares in issue; and (ii) having an aggregate value, based on the closing price of the shares at the date of each offer for the grant, in excess of HK$5 million, such further grant of options must be approved by shareholders in general meeting.

Under the Share Option Scheme, the directors may, at their discretion, grant to any Eligible Participants options to subscribe for shares at an subscription price per share being not less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a share. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

An option may be accepted by a participant within 21 days from the date of the offer for the grant of option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

During the period from the effective date of the Share Option Scheme to 30 June 2017, no share option has been granted, expired, lapsed, exercised or cancelled.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of Technology Holdings

On 1 April 2017, the Group acquired the entire issued share capital of Technology Holdings for a cash consideration of HK$10,000. Technology Holdings is an investment holding Company and its wholly own subsidiary, Longyou Shiji, is principally engaged in promotion of mobile game services. The acquisition is aim to further develop and expand the business scope of the Group, and take into account the potentials of the mobile gaming industry.

The fair value of the identifiable assets and liabilities of Technology Holdings acquired as at its date of acquisition is as follows:

	Fair value HK$'000
Property, plant and equipment	81
Deposits, prepayments and other receivables	885
Bank and cash balances	395
Other payables	(952)
Net identifiable assets and liabilities	409
Gain on bargain purchase	(399)
Total consideration	10
Net cash inflow arising on acquisition:	
Cash consideration paid	(10)
Cash and cash equivalents acquired	395
	385

Gain on bargain purchase of HK$399,000 was recognised upon completion of the acquisition of Technology Holdings. The gain on bargain purchase was mainly attributable to the fact that Technology Holdings and its subsidiaries are the loss making companies before the acquisition.

The fair value of the other receivables acquired is HK$815,000, none of which is expected to be uncollectible.

Technology Holdings and its subsidiaries contributed approximately revenue of HK$4,486,000 and profit of HK$1,649,000 to the Group for the year between the date of acquisition and 30 June 2017.

If the acquisition had been completed on 1 July 2016, total Group's revenue for the year would have been HK$63,012,000, and loss for the year 2017 would have been HK$5,704,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2016, nor is intended to be a projection of future results.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Acquisition of Ai Wan Yue

On 5 May 2017, the Group acquired the entire issued share capital of Ai Wan Yue for a cash consideration of RMB1. Ai Wan Yue is principally engaged in promotion of mobile game services. The acquisition is aim to further develop and expand the business scope of the Group, and take into account the potentials of the development of mobile gaming industry.

The fair value of the identifiable assets and liabilities of Ai Wan Yue acquired as at its date of acquisition is as follows:

	Fair value HK$'000
Deposits, prepayments and other receivables	245
Bank and cash balances	782
Other payables	(1,180)
Net identifiable assets and liabilities	(153)
Goodwill	153
Total consideration	–
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	782

The fair value of the other receivables acquired is HK$226,000, none of which is expected to be uncollectible.

Ai Wan Yue contributed approximately revenue of HK$2,086,000 and profit of HK$1,086,000 to the Group for the year between the date of acquisition and 30 June 2017.

If the acquisition had been completed on 1 July 2016, total Group's revenue for the year would have been HK$62,409,000, and loss for the year 2017 would have been HK$2,914,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2016, nor is intended to be a projection of future results.

The goodwill arising on the acquisition of Ai Wan Yue is attributable to the anticipated profitability of promotion of mobile game and the anticipated future operating synergies from combination.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Acquisition of Xiangjiao Huyu

On 17 May 2017, the Group acquired the entire issued share capital of Xiangjiao Huyu for a cash consideration of RMB1. Xiangjiao Huyu is principally engaged in provision of technical support services. The acquisition is aim to further develop and expand the business scope of the Group, and take into account the potentials of the development of mobile payment industry.

The fair value of the identifiable assets and liabilities of Xiangjiao Huyu acquired as at its date of acquisition is as follows:

	Fair value HK$'000
Property, plant and equipment	30
Trade receivables	1,179
Deposits, prepayments and other receivables	95
Bank and cash balances	371
Other payables	(869)
Current tax liabilities	(202)
Net identifiable assets and liabilities	604
Gain on bargain purchase	(604)
Total consideration	–
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	371

Gain on bargain purchase of HK$604,000 was recognised upon completion of the acquisition of Xiangjiao Huyu. The gain on bargain purchase was mainly attributable to the fact that Xiangjiao Huyu is at its start-up stage after being formed in March 2017 and the Group anticipated the profitability of development of mobile payment industry.

The fair value of the trade and other receivables acquired is HK$1,254,000, none of which is expected to be uncollectible.

Xiangjiao Huyu contributed approximately revenue of HK$1,441,000 and profit of HK$865,000 to the Group for the year between the date of acquisition and 30 June 2017.

If the acquisition had been completed on 3 March 2017 (date of establishment), total Group's revenue for the year would have been HK$63,374,000, and loss for the year 2017 would have been HK$2,157,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 3 March 2017, nor is intended to be a projection of future results.

29. OPERATING LEASE COMMITMENTS

At 30 June 2017 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**2,006**	966
In the second to fifth years, inclusive	**–**	765
	2,006	1,731

Operating lease payments represent rentals payable by the Group for certain of its premises. Leases are negotiated at terms ranged from one to three years and rentals are fixed over the lease terms and do not include contingent rentals.

30. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2017 (2016: Nil).

31. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the period was as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other benefits	**4,266**	2,348
Pension scheme contributions	**66**	60
	4,332	2,408

32. EVENTS AFTER THE REPORTING PERIOD

Acquisition of Beijing Dongrun Hudong Technology Company Limited

On 5 September 2017, Dongrun Xindong, 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 has agreed to sell, the entire equity interests in and all the assets of Beijing Dongrun Hudong Technology Company Limited* at a total consideration of RMB2,000,000. The fair value of the acquired identifiable assets and liabilities is pending receipt of the valuation of those assets and liabilities.

33. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 26 September 2017.

* *for identification only*

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for each of the five years ended 30 June 2013, 2014, 2015, 2016 and 2017, as extracted from the audited consolidated financial statements in this annual report, the annual report for the years ended 30 June 2015 and 2016 and the Prospectus is set out below:

	Year ended 30 June				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**62,189**	55,847	81,947	80,586	53,607
Net (loss)/profit for the year (before listing expenses)	**(2,760)**	3,827	18,538	12,896	7,128
Listing expenses	**–**	–	(18,422)	–	–
Net (loss)/profit for the year attributable to owners of the Company	**(2,760)**	3,827	116	12,896	7,128

	As at 30 June				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**75,903**	69,766	71,908	33,893	27,911
Total liabilities	**(16,310)**	(7,894)	(13,955)	(16,543)	(23,465)
Total equity	**59,593**	61,872	57,953	17,350	4,446