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Million Stars

MILLION STARS HOLDINGS LIMITED

萬星控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8093)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
DISCLOSEABLE TRANSACTION —
SUBSCRIPTION OF INCREASE REGISTERED CAPITAL
IN THE TARGET COMPANY**

Reference is made to the announcement of the Company made on 30 August 2019 in relation to the subscription of the increased registered capital in the Target Company, namely Shenzhen Yidao Network Co., Ltd.* (深圳譯道網絡有限公司), pursuant to the Capital Increase and Subscription Agreement (the “**Announcement**”). Unless otherwise stated, terms used in this announcement shall have the same meaning as those used in the Announcement. This announcement is intended to provide shareholders of the Company with further information on the Subscription.

ADDITIONAL INFORMATION ON THE TARGET COMPANY

The Target Company is an application game distribution and advertising agency company with plenty of commercial resources.

The Target Company has collaborated with Shenzhen Tencent Computer Systems Company Limited* (深圳市騰訊計算機系統有限公司) (“**Tencent Computer Systems**”) since 2016 to promote Tencent mobile games. New customers acquired by the Target Company in the year 2019 include Huai’an Keji Culture Co., Ltd.* (淮安柯基文化有限公司) (“**Huai’an Keji**”), Beijing Oyea Network Technology Co., Ltd.* (北京歐耶網絡科技有限公司) (“**Oyea Network Technology**”) and Paozhewan Technology (Beijing) Co., Ltd.* (跑著玩科技(北京)有限公司) (“**Paozhewan Technology**”). The service periods of the internet advertising

contracts between these new customers and the Target Company will last until 2022, which guarantees the Target Company's long-term profit. Details of the aforementioned internet advertising contracts are as follows:

Customer	Service scope	Service period	Contract amount (RMB ten thousand)	Expected gross profit (RMB ten thousand)
Huai'an Keji	Advertising navigation business service	1 July 2019–31 December 2022	2019: 500 2020: 1,700 2021: 2,600	2019: 113.5 2020: 385.9 2021: 590.2
Oyea Network Technology	Advertising streaming business service	1 July 2019–31 December 2022	2019: 300 2020: 1,300 2021: 1,400	2019: 68.1 2020: 259.1 2021: 317.8
Paozhewan Technology	Traffic CPA business service	1 July 2019–31 December 2022	2019: 2,200 2020: 3,000 2021: 4,000	2019: 499.4 2020: 681.0 2021: 908.0

THE CAPITAL INCREASE AND SUBSCRIPTION AGREEMENT

Strategic Relationship

In accordance with the Capital Increase and Subscription Agreement, Beijing Dongrun and the Target Company has established a strategic cooperation partnership. Given equivalent commercial terms, the Target Company will give priority to cooperation with Beijing Dongrun, in order to promote the products of the Target Company's customers, which will create positive synergies.

Appointment of Directors and Senior Management of the Target Company

The Target Company's board of directors ("**Target Board**") has 3 directors and its board of supervisors ("**Target BOS**") has 2 supervisors.

According to the Capital Increase and Subscription Agreement, the Group has the right to nominate 1 director to the Target Board and 1 supervisor to the Target BOS. The senior management of the Target Company will also be jointly recommended by the Beijing Dongrun and Mr. Feng Tao, the existing sole shareholder of the Target Company. The aforementioned arrangements will allow the Group to monitor the operation of the Target Company and the implementation of the Capital Increase and Subscription Agreement, in order to safeguard the Group's interest.

Consideration

As stated in the Announcement, the Consideration has been arrived after taking into consideration of various factors, including (i) the reasons for and the benefits of the Subscription as mentioned in the section headed “Reasons for and Benefits of the Subscription” in the Announcement; and (ii) the current financial position and the prospect of the Target Company.

With regards to the current financial position and the prospect of the Target Company, the Group engaged the following parties:

- (a) Beijing Gentlewind Certified Public Accountants Co., Ltd. (北京嘉潤會計師事務所有限公司) to audit the Target Company’s finances for the year 2018 and the first half of 2019;
- (b) Beijing Zhongwen Law Firm (北京市中聞律師事務所) to conduct a legal due diligence on the Target Company; and
- (c) Beijing Lixin Runde Asset Appraisal Firm (北京立信潤德資產評估事務所) (“**Lixin Runde**”) to conduct a valuation on the Target Company.

According to the asset appraisal report issued by Lixin Runde, the valuation of the Target Company prior to the Subscription is RMB119.80 million based on the income approach (the “**Valuation**”). However, as the Valuation is based on the income approach, and future income may be affected by the macro environment and the financial situation of the Target Company’s customers, the Board considered that there is some uncertainty as to the Valuation. After many rounds of discussions and negotiations with Mr. Feng Tao, and also in consideration also of the reasons listed in the Announcement under the section headed “Reasons for and Benefits of the Subscription”, the Group finally determined the Consideration based on valuing the Target Company at RMB87.357 million prior to the Subscription, being 72.92% of the Target Company’s appraised value based on the Valuation.

The Board has also considered the strategic cooperation partnership as mentioned in the section headed “Strategic Relationship” in this announcement, that under the terms of the Capital Increase and Subscription Agreement, given equivalent commercial terms, the Target Company give priority to cooperation with Beijing Dongrun, in order to promote the products of the Target Company’s customers, which will result in a win-win situation.

Price-to-earnings ratio (“**P/E**”) and price-to-book ratio (“**P/B**”) are high based on the Target Company’s financial performance for the year 2018. However, the Board believes that the Consideration is still reasonable with reference to the recent trends and prospects of the Target Company’s business.

During the years 2016 and 2017, the scale of the Target Company’s collaboration with Tencent Computer Systems is rather small. In the year 2018, the Target Company increased its collaboration with Tencent Computer Systems, so its financial situation improved. By 2019, the Target Company acquired a few new major clients, so it is expected that future profits will increase significantly.

The Target Company realized a net profit of only RMB1.094 million in the year 2018, while it realized a net profit of RMB2.157 million in the first half of 2019 alone. It is expected that the Target Company will generate a net profit approximately RMB8.72 million for the year 2019, and the P/E ratio based on the Target Company's expected financial performance for the year 2019 will thus be approximately 16.4 times.

FINANCING

The Company expects to finance the Subscription from internal resources.

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

Hong Kong, 17 September 2019

As at the date of this announcement, the Board comprises Mr. Zhu Yongjun, Ms. Wang Fei and Ms. Tian Yuan as executive Directors; and Mr. Chen Ce, Ms. Ji Fang and Mr. Gao Shuo as independent non-executive Directors.

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

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

* for identification purpose only