MILLION STARS HOLDINGS LIMITED
萬星控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8093)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

Reference is made to the announcement of Million Stars Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group") dated 30 September 2020 in relation to the unaudited annual results of the Group for the year ended 30 June 2020 (the "Unaudited Annual Results Announcement"). The board (the "Board") of directors (the "Directors") of the Company hereby announces that the Company's auditor, Yongtuo Fuson CPA Limited ("Yongtuo"), has completed the audit of the consolidated financial statements of the Group for the year ended 30 June 2020 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants, including the financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes as set out thereto. The audited annual results for the year ended 30 June 2020 were reviewed by the audit committee of the Company (the "Audit Committee") on 29 October 2020 and were approved by the Board on 30 October 2020, details of which are set out below.

FINANCIAL RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the audited consolidated results of the Group for the year ended 30 June 2020, together with the audited comparative figures for the year ended 30 June 2019 as follows, which are presented in Hong Kong dollars ("HK$"):

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	**2020** ***HK$'000*** **(Audited)**	2019 *HK$'000* (Audited)
Continuing operations			
Revenue	*3*	**434,314**	270,729
Cost of services		**(425,780)**	(230,119)
Gross profit		**8,534**	40,610
Other income, gains and losses, net	*4*	**3,254**	3,092
Selling and distribution expenses		**(2,150)**	(3,266)
Administrative expenses		**(36,558)**	(39,887)
Net reversal of impairment losses (impairment losses) recognised on trade and other receivables		**27,947**	(34,934)
Impairment loss recognised on property, plant and equipment		**(5)**	–
Impairment loss recognised on intangible assets		**(16,129)**	–
Impairment loss recognised on goodwill		**(149)**	–
Impairment loss recognised on interest in an associate		**(23,856)**	–
Impairment loss recognised on amount due from an associate		**(1,415)**	–
Share of results of associates		**937**	–
Finance costs	*5*	**(4,449)**	(626)

	Notes	**2020** ***HK$'000*** **(Audited)**	2019 *HK$'000* (Audited)
Loss before tax		**(44,039)**	(35,011)
Income tax expenses	*6*	**–**	(1,790)
Loss for the year from continuing operations		**(44,039)**	(36,801)
Discontinued operation			
Profit from discontinued operation, after tax for the year	*7*	**–**	195
Loss for the year		**(44,039)**	(36,606)
Other comprehensive expenses:			
Items that may be reclassified to profit or loss:			
Exchange differences arising on translating foreign operations		**(5,137)**	(8,809)
Share of other comprehensive expenses of associates		**(855)**	–
Exchange differences reclassified to profit or loss on disposal of subsidiaries		**–**	(257)
Other comprehensive expenses for the year, net of tax		**(5,992)**	(9,066)
Total comprehensive expenses for the year		**(50,031)**	(45,672)
Loss per share			
Basic and diluted (HK cents)	*9*		
— From continuing and discontinued operations		**(10.71)**	(9.15)
— From continuing operations		**(10.71)**	(9.20)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	2020 HK$'000 (Audited)	2019 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**2,285**	3,631
Right-of-use assets		**8,147**	–
Intangible assets		**32,993**	–
Interests in associates		**39,550**	–
Goodwill		**2,336**	2,578
		85,311	6,209
Current assets			
Trade receivables	*10*	**38,069**	113,508
Deposits, prepayments and other receivables		**84,371**	145,465
Amount due from an associate		**4,939**	–
Pledged bank deposits		**5,857**	3,905
Bank and cash balances		**49,895**	19,564
		183,131	282,442
Current liabilities			
Trade payables	*11*	**26,119**	38,403
Accruals and other payables		**19,772**	6,351
Contract liabilities		**12,408**	9,963
Amount due to a shareholder		**352**	247
Borrowings		**30,792**	14,522
Lease liabilities		**5,128**	–
Current tax liabilities		**5,505**	9,130
		100,076	78,616
Net current assets		**83,055**	203,826
Total assets less current liabilities		**168,366**	210,035
Non-current liabilities			
Borrowings		**–**	170
Lease liabilities		**3,532**	–
Deferred tax liabilities		**–**	–
		3,532	170
NET ASSETS		**164,834**	209,865
Capital and reserves			
Share capital	*12*	**4,200**	4,000
Reserves		**160,634**	205,865
TOTAL EQUITY		**164,834**	209,865

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is Room 907B, 9th Floor, Empire Centre, 68 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are mainly provision of internet advertising agency services during the year.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 July 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 July 2019.

As at 1 July 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in PRC was determined on a portfolio basis; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application and the lease liabilities recognised as at 1 July 2019 are as follows.

	At 1 July 2019
	HK$'000
Operating lease commitments disclosed as at 30 June 2019	6,279
Add: Additions of operating lease commitments *(Note below)*	19,201
	25,480
Lease liabilities discounted at relevant incremental borrowing rates	22,449
Less: Practical expedient — leases with lease term ending within 12 months from the date of initial application	(2,018)
Short-term leases	(351)
Lease liabilities as at 1 July 2019	20,080
Analysed as:	
Current	5,692
Non-current	14,388
	20,080

Note: Pursuant to the Company's announcement dated 10 October 2019, on 1 August 2018 and 19 June 2019, the Group entered into tenancy agreements with certain parties in respect of the leasing of the premises located in Shanghai and Beijing and the related operating lease commitments. Further, the Group also entered into tenancy agreements in respect of the leasing of the office premises located in Shenzhen and the office printing machine. The total additions of operating lease commitments are HK$19,201,000.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 July 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 June 2019	Adjustments	Carrying amounts under HKFRS 16 at 1 July 2019
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets	–	20,080	20,080
Current liabilities			
Lease liabilities	–	5,692	5,692
Non-current liabilities			
Lease liabilities	–	14,388	14,388

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 30 June 2020, movements in working capital have been computed based on the opening consolidated statement of financial position at 1 July 2019 after taking into account of the adjustments to lease liabilities and right-of-use assets above.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 July 2020.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers by major products or service line for the year from continuing operations is as follows:

	2020	2019
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Internet advertising agency services	**434,314**	270,629
Mobile payment technical support services	**–**	100
	434,314	270,729

The Group derives revenue from the transfer of goods and services over time in the following major product lines and geographical regions:

For the year ended 30 June	Internet advertising agency services		Mobile payment technical support services		Total	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Audited)	(Audited)	**(Audited)**	(Audited)	**(Audited)**	(Audited)
Primary geographical markets						
— The PRC	**331,222**	218,710	**–**	100	**331,222**	218,810
— Hong Kong	**103,092**	51,919	**–**	–	**103,092**	51,919
Segment revenue	**434,314**	270,629	**–**	100	**434,314**	270,729
Inter-segment revenue	**–**	–	**–**	–	**–**	–
Revenue from external customers	**434,314**	270,629	**–**	100	**434,314**	270,729
Timing of revenue recognition						
Services transferred over time	**434,314**	270,629	**–**	100	**434,314**	270,729

The Group's reportable segments under HKFRS 8 are as follows:

Internet advertising agency services — provision of internet advertising agency services which included promotion of online game and etc.

Mobile payment technical support services — provision of mobile payment technical support services

The operation of leather business was discontinued in last year. The segment information reported does not include any amounts for this discontinued operation, which are described in more detail in note 7 in this announcement.

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 the Group's accounting policies. Segment profits or losses represents the profit earned by/loss from each segment without allocation of other income, gains/(losses) and unallocated corporate expenses. Segment assets do not include unallocated bank and cash balances and unallocated deposits, prepayments and other receivables. Segment liabilities do not include unallocated accruals and other payables.

The Group accounts for inter-segment sales and transfers as if the sales or transfers were made to the third parties at current market prices.

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments:

For the year ended 30 June 2020	**Internet advertising agency services** *HK$'000*	**Mobile payment technical support services** *HK$'000*	**Total** *HK$'000*
Revenue	**434,314**	**–**	**434,314**
Cost of services	**(425,780)**	**–**	**(425,780)**
Gross profit	**8,534**	**–**	**8,534**
Selling and distribution expenses	**(2,150)**	**–**	**(2,150)**
Administrative expenses	**(25,355)**	**(104)**	**(25,459)**
Impairment loss recognised on goodwill	**(149)**	**–**	**(149)**
Impairment loss recognised on property, plant and equipment	**(5)**	**–**	**(5)**
Impairment loss recognised on intangible assets	**(16,129)**	**–**	**(16,129)**
Impairment loss recognised on interest in an associate	**(23,856)**	**–**	**(23,856)**
Impairment loss recognised on amount due from an associate	**(1,415)**	**–**	**(1,415)**
Share of results of associates	**937**	**–**	**937**
Net reversal of impairment losses recognised on trade and other receivables	**2,442**	**25,417**	**27,859**
Segment results	**(57,146)**	**25,313**	**(31,833)**
Other income, gains and losses, net			**3,254**
Net reversal of impairment losses recognised on other receivables			**88**
Unallocated corporate expenses			**(15,548)**
Loss before tax			**(44,039)**

For the year ended 30 June 2019	Internet advertising agency services *HK$'000*	Mobile payment technical support services *HK$'000*	Total *HK$'000*
Revenue	270,629	100	270,729
Cost of services	(229,426)	(693)	(230,119)
Gross profit (loss)	41,203	(593)	40,610
Selling and distribution expenses	(2,961)	(305)	(3,266)
Administrative expenses	(28,448)	(1,599)	(30,047)
Impairment losses recognised on trade and other receivables	(11,925)	(22,977)	(34,902)
Segment results	(2,131)	(25,474)	(27,605)
Other income, gains and losses, net			3,092
Impairment losses recognised on trade and other receivables			(32)
Unallocated corporate expenses			(10,466)
Loss before tax			(35,011)

Segment assets and liabilities

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

	Internet advertising agency services ***HK$'000***	**Mobile payment technical support services** ***HK$'000***	**Total** ***HK$'000***
At 30 June 2020			
Segment assets	**235,484**	**27,893**	**263,377**
Segment liabilities	**89,527**	**1,462**	**90,989**
At 30 June 2019			
Segment assets	270,034	9,749	279,783
Segment liabilities	68,032	1,822	69,854

Reconciliations of segment revenue and profit or loss from continuing operations:

	2020	2019
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**434,314**	270,729
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**434,314**	270,729

Reconciliations of segment assets and liabilities:

	2020	2019
	HK$'000	*HK$'000*
Assets		
Total assets of reportable segments	**263,377**	279,783
Assets relating to discontinued operation	**–**	–
Unallocated corporate assets	**5,065**	8,868
Consolidated total assets	**268,442**	288,651
Liabilities		
Total liabilities of reportable segments	**90,989**	69,854
Liabilities relating to discontinued operation	**–**	–
Unallocated corporate liabilities	**12,619**	8,932
Consolidated total liabilities	**103,608**	78,786

4. OTHER INCOME, GAINS AND LOSSES, NET

	2020	2019
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Continuing operations		
Interest income on bank deposits	**54**	141
Interest income on loans receivable	**435**	1,673
Exchange (losses) gains, net	**(83)**	581
Sponsorship income from an exhibition event	**–**	522
Additional input value-added tax granted	**1,702**	–
Sundry income	**1,146**	175
	3,254	3,092

5. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Continuing operations		
Finance lease charges	**–**	33
Interest on lease liabilities	**1,136**	–
Interest on bank and other borrowings	**3,313**	593
	4,449	626

6. INCOME TAX EXPENSES

Income tax relating to continuing operations has been recognised in profit or loss as following:

	2020	2019
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Current income tax:		
Hong Kong Profits Tax	**–**	1,879
PRC Enterprise Income Tax	**–**	–
	–	1,879
Over-provision in prior years:		
Hong Kong Profits tax	**–**	(19)
PRC Enterprise Income Tax	**–**	(70)
	–	(89)
Income tax expenses	**–**	1,790

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI for both years.

Hong Kong Profits Tax has been provided at a rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year ended 30 June 2020. No provision has been made for Hong Kong Profits Tax as there are no assessable profits generated for the year.

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year assessment 2018/2019. Profits above HK$2 million will continue to be subject to the tax rate of 16.5%.

The provision for PRC EIT is based on the respective applicable rates on the estimated assessable profit of the Company's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC for both years.

PRC EIT has been provided at a rate of 25% (2019: 25%).

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

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

7. DISCONTINUED OPERATION

On 18 February 2019, the Company entered into a sale and purchase agreement to dispose of Odella International Limited and its subsidiaries, which carried out all of the Group's leather business operation.

	2019 *HK$'000* (Audited)
Profit for the year ended 30 June 2019 from discontinued operation:	
Revenue	37,219
Cost of sales	(24,509)
Distribution expenses	(1,110)
Administrative expenses	(14,019)
Net impairment losses on trade and other receivables	(640)
Other income, gains and losses, net	940
Loss before tax	(2,119)
Income tax expense	(10)
	(2,129)
Gain on disposal of subsidiaries	2,324
Income tax expense	–
Profit for the year from discontinued operation attributable to owners of the Company	195
Profit for the year from discontinued operation include the following:	
Depreciation*	168
Auditor's remuneration	–
Cash flows from discontinued operation:	
Net cash inflows from operating activities	21,178
Net cash outflows from investing activities	(403)
Net cash outflows from financing activities	(18,626)
Net cash inflows	2,149

* Included in cost of sales for the years ended 30 June 2019 were depreciation charge of approximately HK$71,000.

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

9. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2020	2019
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company		
— from continuing operations	**(44,039)**	(36,801)
— from discontinued operations	**–**	195
Loss for the purpose of calculating basic and diluted loss per share	**(44,039)**	(36,606)

	2020	2019
	'000	*'000*
Weighted average number of shares		
— Issued ordinary shares at 1 July	**400,000**	400,000
— Effect of ordinary shares issued during the year	**11,202**	–
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**411,202**	400,000

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted loss per share are the same because the Company did not have any potential ordinary shares during the years ended 30 June 2020 and 30 June 2019.

From continuing operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following:

	2020	2019
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic and diluted loss per share	**(44,039)**	(36,801)

The denominators used are the same as those detailed above for both basic and diluted (loss) earning per share.

From discontinued operations

For the year ended 30 June 2019, basic and diluted earnings per share from the discontinued operation is HK0.05 cents per share, based on the loss for the year from discontinued operation attributable to the owners of the Company of approximately HK$195,000 and the denominators used are the same as those detailed above for both basic and diluted loss per share (2020: N/A).

10. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Trade receivables	**48,577**	141,481
Less: Allowances	**(10,508)**	(27,973)
	38,069	113,508

The Group's trading terms with other customers are mainly on credit. The Group generally allows an average credit period from 0 to 60 days for its internet advertising agency business customers and 30 days for its mobile payment technical support services business customers. The Group does not hold any collateral over these balances.

Before accepting any new customer, the management assesses the potential customer's credit quality and defines credit limits by customer.

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

	2020	2019
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Within 30 days	**17,197**	14,131
31 to 60 days	**691**	7,974
61 to 90 days	**4,979**	5,166
91 to 180 days	**15,004**	12,831
181 to 365 days	**198**	14,648
Over 365 days	**–**	58,758
	38,069	113,508

As at 30 June 2020, an allowance was made for estimated irrecoverable trade receivables of approximately HK$10,508,000 (2019: HK$27,973,000).

11. TRADE PAYABLES

	2020	2019
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Trade payables	**26,119**	38,403

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

	2020	2019
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Within 30 days	**8,876**	9,001
31 to 60 days	**1,297**	1,457
61 to 90 days	**393**	1,326
Over 90 days	**15,553**	26,619
	26,119	38,403

The carrying amounts of the Group's trade payables are denominated in RMB.

12. SHARE CAPITAL

	Number of shares	Amount
	'000	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each at 1 July 2018, 30 June 2019, 1 July 2019 and 30 June 2020	4,000,000	40,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1 July 2018, 30 June 2019 and 1 July 2019	400,000	4,000
Issue of ordinary shares under share subscription	20,000	200
At 30 June 2020	420,000	4,200

On 22 November 2019, the Company entered into the subscription agreement (the "Subscription Agreement") with Zhong Baomei, an independent third party (the "Subscriber") pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 20,000,000 subscription shares at the subscription price of HK$0.25 per subscription share in accordance with the terms and conditions as set out in the Subscription Agreement (the "Subscription"). The directors consider that the Subscription represent an opportunity to raise additional funding for the Group's business operation, the net proceeds from the Subscription is mainly for general working capital of the Group and for the future development of the Group's business. The Subscription will also strengthen the capital base and financial position for the Group's future business developments and broaden the shareholder base of the Company.

The Subscription was completed on 9 December 2019. The details of the Subscription are described in the Company's announcements dated 22 November 2019 and 9 December 2019.

These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 7 November 2019 and rank pari passu with other shares in issue in all respects.

MATERIAL DIFFERENCES BETWEEN THE ANNUAL RESULTS IN THE UNAUDITED ANNUAL RESULTS ANNOUNCEMENT AND THE AUDITED ANNUAL RESULTS IN THIS ANNOUNCEMENT

Since financial information contained in the Unaudited Annual Results Announcement was neither audited nor agreed with Yongtuo as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to material differences between the annual results set out in the Unaudited Annual Results Announcement and the audited annual results disclosed in this announcement. The principal details and reasons are set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	**2020** *HK$'000* (Audited)	**2020** *HK$'000* (Unaudited)	**Change** *HK$'000*
Net reversal of impairment losses/ (impairment losses) recognised on trade and other receivables	*1*	27,947	29,583	(1,636)
Impairment loss recognised on amount due from an associate	*1*	(1,415)	(290)	(1,125)
Impairment loss recognised on goodwill	*2*	(149)	(2,485)	2,336
Impairment loss recognised on intangible assets	*1*	(16,129)	–	(16,129)
Impairment loss recognised on interest in an associate	*1*	(23,856)	–	(23,856)
Share of results of associates	*2*	937	(1,170)	2,107

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	**2020** *HK$'000* (Audited)	**2020** *HK$'000* (Unaudited)	**Change** *HK$'000*
Amount due from an associate	*1*	4,939	6,066	(1,127)
Intangible assets	*1*	32,993	49,122	(16,129)
Interests in associates	*2*	39,550	61,305	(21,755)
Goodwill	*2*	2,336	–	2,336
Trade payables	*3*	26,119	32,696	(6,577)
Accruals and other payables	*3*	19,772	13,189	6,583

Notes:

1. The changes related to the additions of the impairment losses recognized on trade and other receivables, amount due from an associate, intangible assets and interest in an associate during the year.

2. The changes related to the reductions of the impairment losses recognized for trade and other receivables in associates and goodwill during the year.

3. The changes mainly related to the reclassification from trade payables to accruals and other payables.

Save as disclosed in this further announcement and the corresponding adjustments in totals, percentages, ratios and comparative figures related to the above material differences, there are no material changes to the information contained in the Unaudited Annual Results Announcement.

FURTHER ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2020 as set out in this further announcement have been agreed by the Group's auditor, Yongtuo, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board on 30 October 2020. The work performed by Yongtuo in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Yongtuo on this further announcement.

EXTRACT FROM INDEPENDENT AUDITORS' REPORT

The "Disclaimer of Opinion" and "Basis for Disclaimer of Opinion" are extracted from independent auditors' report for the year ended 30 June 2020 as follows:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to form an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

(1) Acquisitions and impairment assessments of the Group's intangible assets

During the year, the Group acquired certain intangible assets with an aggregate consideration of approximately HK$52,668,000, impairment loss recognised of HK$16,129,000 and amortisation charge of HK$3,028,000 which were charged to the Group's consolidated financial statements for the year ended 30 June 2020.

In accordance with Hong Kong Accounting Standard 36 Impairment of Assets, the directors of the Company conducted impairment assessments of the Group's intangible assets at the end of the reporting period. The impairment assessments have been performed with reference to a professional valuation performed by an independent professional valuer by comparing the carrying amounts and the recoverable amounts of the intangible assets which are based on certain key assumptions. Based on the valuation, the directors of the Company consider that the carrying amounts of certain intangible assets were higher than their recoverable amounts and thus, an impairment loss of HK$16,129,000 was recognised for the year ended 30 June 2020.

Under the circumstances of limited supporting information and documents on the Group's intangible assets and information relating to the business and operation of the intangible assets are insufficient to ascertain the reasonableness of the assumptions made by the management and the feasibility of the business plan applied in the cash flow projections for the intangible assets, we are unable to satisfy ourselves about the reasonableness of the assumptions made by the management and the feasibility of the business plan applied in the cash flow projection for the impairment assessments of the intangible assets.

Because of the above scope limitation, there were no alternative audit procedures that we could perform to satisfy ourselves as to ascertain the carrying amounts of the Group's intangible assets as at 30 June 2020, the impairment loss recognised and amortisation charge for the year then ended and the related disclosures thereof in the consolidated financial statements. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

(2) *Purchase price allocation, share of result, share of net assets and impairment assessment relating to the Group's interests in Yidao Network (an associate of the Company)*

As at 30 June 2020, the Group had interests in Yidao Network which was carried at HK$32,163,000. The Group's share of the results and exchange differences, and the impairment loss recognised relating to Yidao Network amounted to HK$1,223,000, HK$925,000 and HK$23,856,000, respectively which are charged to the Group's consolidated financial statements for the year ended 30 June 2020.

Pursuant to the Hong Kong Accounting Standard 28 (2011) Investments in Associates and Joint Ventures, the management of the Company completed its purchase price allocation relating to the acquisition of Yidao Network during the year. The Group has appointed an independent professional valuer to perform a valuation of the fair value of the net assets of Yidao Network for purchase price allocations at its acquisition date. The fair value of the identifiable assets and liabilities relating to Yidao Network has been determined on the basis of discounted cash flows calculation which was based on certain key assumptions. Other than those already recognised as assets and liabilities by Yidao Network prior to its acquisition date, the management considers that no other identifiable intangible assets, assets or liabilities were identified during the purchase price allocation process for Yidao Network. As a result, goodwill which amounted to approximately HK$35,250,000 attributable to Yidao Network was measured as the excess of capital contribution to Yidao Network transferred over its fair value of identifiable net assets acquired, and the amount forms part of carrying amount of the Group's interests in Yidao Network.

Due to limited supporting information and documents relating to Yidao Network, we were unable to ascertain whether all the assets and liabilities relating to Yidao Network had been identified and we were also unable to satisfy ourselves about the reasonableness of the assumptions made by the management for Yidao Network during the purchase price allocation process in arriving at the goodwill arising from the acquisition of Yidao Network thereon.

As at 30 June 2020, the directors of the Company conducted an impairment assessment of the Group's interests in Yidao Network with reference to a valuation based on value-in-use basis using discounted cash flow approach performed by an independent professional valuer by comparing the carrying amount and the recoverable amount of Yidao Network which was based on certain key assumptions. Based on the valuation, the directors of the Company consider that the carrying amount of Yidao Network exceeds its recoverable amount and thus, an impairment loss of HK$23,856,000 has been recognised for the year ended 30 June 2020.

Under the certain circumstances of limited supporting information and documents on certain balances of which the sets of management accounts and also the information relating to the business and operation of Yidao Network are insufficient to ascertain the reasonableness of the assumptions made by the management and the feasibility of the business plan applied in the cash flow projections for Yidao Network, we were unable to satisfy ourselves about the reasonableness of the assumptions made by the management and the feasibility of the business plan applied in the cash flow projection for the purchase price allocation and impairment assessment for Yidao Network.

We are not able to obtain sufficient appropriate audit evidence on certain balances of which these sets of management accounts relating to Yidao Network were used for the purchase price allocation report, equity accounting and impairment assessment at the end of the reporting period. We were also unable to satisfy ourselves as to whether the carrying amount of the Group's interests in Yidao Network (including goodwill) was free from material misstatements due to non-recognition of identifiable assets and liabilities relating to Yidao Network during the purchase price allocation process. Further, we were unable to satisfy ourselves as to whether the Group's interests in Yidao Network and the related share of net assets and impairment loss recognised were fairly stated. Any adjustments that might have been found to be necessary in respect of the above would have a significant effect on the Group's financial position as at 30 June 2020 and consequently, the Group's financial performance for the year then ended, and the related disclosures thereof in the consolidated financial statements.

Because of the above scope limitation, there were no alternative audit procedures that we could perform to satisfy ourselves as to ascertain the carrying amount of the Group's interests in Yidao Network as at its dates of acquisition and 30 June 2020, and the Group's share of the result and exchange differences and also the impairment loss recognised relating to Yidao Network for the year ended 30 June 2020. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

DETAILS OF THE DISCLAIMER OF OPINION

As described in the Independent Auditor's Report on the consolidated financial statements of the Group for the year ended 30 June 2020, the auditors was unable to express an opinion on the consolidated financial statements in respect of the (1) impairment assessments of the Group's intangible assets and (2) purchase price allocation and impairment assessments relating to the Group's interests in an associate.

(1) Impairment assessments of the Group's intangible assets

During the year ended 30 June 2020, the Group acquired certain intangible assets which include mobile applications, concession rights for the licensed mobile game applications and software relating to its internet advertising agency business and operation with an aggregate consideration of approximately HK$52,668,000. These acquired intangible assets are mainly either for the Group's existing internet advertising agency services business or for leasing to third parties.

At the end of the year, the management of the Company conducted an impairment assessment of the Group's intangible assets with reference to a professional valuation performed by an independent professional valuer by comparing the carrying amounts and the recoverable amounts of the intangible assets which are based on certain key assumptions.

The recoverable amount of an intangible asset is the higher of the fair value less cost of disposal or its value in use. The fair value less costs of disposal using asset-based approach and the value-in-use using discounted cash flow approach that involves use of cash flow projection, certain assumptions and estimations, for examples:

(i) the development and launch of the mobile applications and software will be completed in accordance with the business plan;

(ii) the marketing initiatives are effective and can achieve the expected results;

(iii) the expected lifespan of the mobile applications and software, etc.

These assumptions are subject to significant uncertainty. In addition, most of these mobile app and software have not been launched to the market and this implies limited historical track record to support the estimation of the cash flow projection. The auditors of the Company consider that the information relating to the business and operation of the intangible assets are insufficient to ascertain the reasonableness of the assumptions made by the management and the feasibility of the business plan applied in the cash flow projections for the intangible assets. As a result, the auditors disclaimed their opinion on the consolidated financial statements in respect of the impairment assessments of the Group's intangible assets.

(2) Purchase price allocation and impairment assessments relating to the Group's interests in an associate

During the year ended 30 June 2020, the Group acquired interest in an associate of RMB50,000,000 (equivalent to approximately HK$55,720,000). The Group has appointed an independent professional valuer to perform a valuation of the fair value of the net assets of the associate for purchase price allocations at its acquisition date in accordance with HKAS 28. Other than those already recognised as assets and liabilities prior to the acquisition date, the management considers that no other identifiable intangible assets, assets or liabilities was identified during the purchase price allocation process for the associate. As a result, goodwill which amounted to approximately HK$35,250,000 was measured as the excess of capital contribution to the associate over its fair value of identifiable net assets acquired, and the amount forms part of carrying amount of the Group's interests in the associate.

As the Group has only significant influence and does not have control over the associate, the Group has encountered difficulty in requesting the associate to obtain all the relevant supporting information and documents relating to the associate. As a result, the auditors were unable to ascertain whether all the assets and liabilities relating to the associate had been identified and the auditors were also unable to satisfy themselves about the reasonableness of the assumptions used in the purchase price allocation process in arriving at the goodwill arising from the acquisition of the associate thereon.

In addition, the management of the Group conducted an impairment assessment of the Group's interests in the associate with reference to a valuation based on value-in-use basis using discounted cash flow approach performed by an independent professional valuer. The preparation of the cash flow projection involves use of certain assumptions and estimations.

These assumptions are subject to significant uncertainty. Also, the Group has encountered difficulty in requesting the associate to provide all the relevant supporting information and documents relating to the associate. The auditors of the Company consider that the information relating to the business and operation of the associate are insufficient to ascertain the reasonableness of the assumptions made by the management and the feasibility of the business plan applied in the cash flow projections. As a result, the auditors disclaimed their opinion on the consolidated financial statements in respect of the impairment assessments of the Group's investment in associate.

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

In its discussion with the Auditors, the audit committee of the Company (the "Audit Committee") generally understood the concerns of the Auditors and reasons for the Disclaimer of Opinion. The Audit Committee is of the view that the Directors shall formulate and execute action plan to address concerns of the Auditors and remove the disclaimer of opinion.

ACTION PLAN TO ADDRESS THE DISCLAIMER OF OPINION

The Company sets out below the actions and/or measures that have been or will be taken to remove the disclaimer of opinion:

(1) Impairment assessments of the Group's intangible assets

— actively communicate with and update its Auditors the latest business development and operation of certain mobile apps and software;

— reduce the time required in completing the launching of the intangible assets and commercialize the products according to the business plan;

— formulate marketing plans and maximize the revenue generating capacity of the apps and software;

- gather data and inputs throughout the operation of the intangible assets, which can potentially be used as support to the cash flow projection/valuation for assessing impairment of the intangible assets;

- consider alternative approach in realizing the intangible assets, including but not limited to disposing the intangible assets, if applicable.

(2) Purchase price allocation and impairment assessments relating to the Group's interests in an associate

- actively communicate with and update its Auditors the latest business development and operation of its associate;

- establish appropriate reporting protocols with the associate such that the associate would report its financial information and other relevant information and documents to the Group timely and properly;

- closely monitor the operation of the associate to ensure the execution of the business plan;

- consider alternative approach in realizing the investment in associate, including but not limited to disposing the investment in associate, if applicable.

REMOVAL OF THE DISCLAIMER OF OPINION

The Disclaimer of Opinion was mainly due to the inability to provide certain supporting information and documents in relation to the impairment assessments of the Group's intangible assets and purchase price allocation and impairment assessments relating to the Group's interests in an associate. The Group has discussed with the Auditors that if the Company would be able to execute the abovementioned action plan, modified opinion in relation to the current year may be removed for the year ending 30 June 2021.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 30 June 2020 (2019: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

The Group is an integrated group specialising in internet advertising agency services during the year.

Business Review

Internet Advertising Agency Services

The Group principally provides internet advertising services to different customers in mainland China. Affected by the macroeconomic environment deterioration of China in 2019 and the slowdown of games copyright issuance, internet advertising industry's competition increases, industrial concentration improves and the profit space of small and medium-sized independent advertising operators is squeezed. In order to expand business scale, the Group adopts a series of promotion measures including the increase of rebates to attract and develop customers base. During the year, the Group's sales scale increased approximately 60.4% as compared to that of the last year.

The Group provides the internet advertising agency services through its wholly-owned subsidiaries, Beijing Dongrun Hudong Technology Company Limited* (北京東潤互動科技有限公司) and Horgos Dongrun Network Technology Company Limited* (霍爾果斯東潤網絡科技有限公司) (collectively, referred as "Dongrun Network") in the PRC, respectively. Dongrun Network provides internet advertising agency services covering streaming advertising, search engine advertising, and applied marketing and navigation advertising. After nearly two years' efforts, Dongrun Network has currently become the exclusive advertising agent of All Football APP* (懂球帝) gaming industry, core advertising agent of Cheetah Mobile, Yidian Zixun* (一點資訊) and WiFi Master Key and Jinri Toutiao* (今日頭條). Dongrun Network's customers are principally engaged in the internet industry, covering industries such as e-commerce, online tourism, game, video, dating and automobiles. During the year, Dongrun Network achieved its operating income of approximately HK$329.8 million.

During the year, the Group developed its overseas internet advertising market through its wholly-owned subsidiary, Million Stars Internet Media Limited ("MSIM"). Through a global mainstream online platform, namely Facebook, MSIM provides its customers with access to global advertising, including big data support, integrated marketing solutions, local language support and account stabilisation services. During the year, MSIM recorded an operating income of approximately HK$103.1 million.

Outlook

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

The outbreak of the Epidemic has caused disruptions to many industries in the PRC as well as other countries and regions. Despite the challenges, governments and international organisations have implemented a series of measures to contain the Epidemic. The Group will closely monitor the development of the Epidemic and assess its impact on its operations.

Financial Review

Overview

During the year, the revenue of the Group recorded an increase of approximately 60.4% from approximately HK$270.7 million for the year ended 30 June 2019 ("FY 2019") to approximately HK$434.3 million for the year ended 30 June 2020 ("FY 2020").

During FY 2020, the Group recorded a loss after tax of approximately HK$44.0 million, represented an increase in loss after tax of approximately HK$7.4 million as compared with the loss after tax of approximately HK$36.6 million in FY 2019. This is mainly attributable to the net effect of net reversal of impairment losses recognised on trade and other receivables of approximately HK$27.9 million and impairment losses recognised on intangible assets and interest in an associate of approximately of HK$16.1 million and HK$23.9 million respectively.

Gross Profit

Gross profit margin decreased from 15.0% in FY 2019 to 2.0% in FY 2020 mainly attributable to a lower gross profit of provision of internet advertising agency services in Mainland China during the current year.

Other Income, Gains and Losses, net

Other income, gains and losses, net, mainly represented sundry income incidental to our business, principally including interest income, net exchange differences and additional input value-added tax granted.

Other income, gains and losses, net, amounted to net gains of HK$3.3 million in FY 2020 compared to net gains of HK$3.1 million in FY 2019.

Selling and Distribution Expenses

Selling and distribution expenses mainly comprised sales and marketing expenses. Selling and distribution expenses decreased from approximately HK$3.3 million in FY 2019 to approximately HK$2.2 million in FY 2020. The slight decline in selling and distribution expenses was mainly due to the tight cost control exercised for internet advertising agency business.

Administrative Expenses

Administrative expenses mainly comprised payroll expenses, rent and rates and other office administrative expenses. Administrative expenses decreased from approximately HK$40.0 million in FY 2019 to approximately HK$36.6 million in FY 2020.

The lower administrative expenses in FY 2020 were mainly attributable to a decrease in director's salaries expenses during the year.

Finance Costs

Finance costs increased from HK$0.6 million in FY 2019 to HK$4.4 million in FY 2020, primarily due to the interest expenses incurred by interest-bearing bank borrowings and a third party loan.

Income tax expense

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

Financial Position, Liquidity and Financial Resources

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

The Group has maintained its funds at a sound and healthy financial resource level during the year under review. As at 30 June 2020, included in net current assets were bank and cash balances (including pledged bank deposits) totalling approximately HK$55.8 million (2019: HK$23.5 million), the increase of which was mainly due to collection of receivables from debtors. Total debt to equity ratio of the Group expressed as a percentage of interest bearing borrowings over total equity was approximately 18.7% as at 30 June 2020 (30 June 2019: 6.25%).

As at 30 June 2020, the Group obtained banking borrowings amounting to HK$28.3 million (30 June 2019: HK$8.1 million). The Group has interest-bearing bank loans which carry interest, ranging from 2.8% to 4.8% per annum in FY 2020 (30 June 2019: 5.6% to 11.3%).

As at 30 June 2020, the Group has no unsecured interest-free loans from third parties (30 June 2019: HK$1.4 million) and a interest-bearing loan from third party of HK$2.5 million which carries interest of 3.0% per annum in FY 2020 (30 June 2019: HK$5.0 million, 3.0% per annum).

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

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

Charge Over Assets of the Group

As at 30 June 2020, the Group's banking facilities were supported by pledged bank deposits of the Group of approximately HK$5.9 million (2019: HK$3.9 million).

Financial Management Policies

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

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

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

With the current interest rates staying at relatively low levels, the Group has not entered into any interest rate hedging contract or any other interest rate related derivative financial instrument (2019: Nil). However, the Group continues to monitor its related interest rate exposure closely.

Capital Commitments and Contingent Liabilities

As at 30 June 2020, the Group did not have any significant capital commitment (2019: Nil) and contingent liability (2019: Nil).

Risk management and uncertainties

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

Material Acquisitions and Disposals

On 30 August 2019, Beijing Dongrun Hudong Technology Limited* (北京東潤互動科技有限公司) ("Beijing Dongrun"), a wholly-owned subsidiary of the Company, entered into the Capital Increase and Subscription Agreement with Shenzhen Yidao Network Co., Ltd.* (深圳譯道網絡有限公司) ("Target Company"), a company incorporated in the PRC with limited liability, and Mr. Feng Tao, the sole shareholder of the Target Company, pursuant to which Beijing Dongrun shall make the subscription of RMB50,000,000 (equivalent to approximately HK$55,720,000) of the increased registered capital in the Target Company in cash. Upon completion, the Target Company will be held as to 35% by Beijing Dongrun and 65% by Mr. Feng Tao. The subscription was subsequently completed on 28 October 2019. Please refer to the disclosable transaction announcement dated 30 August 2019 for details.

During FY 2020, save as disclosed, the Group did not have any material acquisition or disposal.

Employees and Remuneration Policy

As at 30 June 2020, the Group had a workforce of 60 employees (2019: 109). Total staff costs for FY 2020 were approximately HK$13.6 million, as compared to the staff cost of HK$33.9 million in FY 2019.

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 of the Company ("Remuneration Committee").

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

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

The employees in Hong Kong are enrolled in the Mandatory Provident Fund under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Monthly contributions are made by the Group which are 5% of the monthly income of the employees as stipulated under the relevant requirements (if applicable), with the maximum contributions of HK$1,500 monthly.

Pursuant to the regulations of the relevant authorities in the PRC, the employees in PRC shall be enrolled in the respective government retirement benefit schemes (the "Schemes") whereby the Group is required to contribute to the Schemes to fund the retirement benefits of the eligible employees. Contributions made to the Schemes are calculated based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. The relevant authorities of the PRC are responsible for the entire pension obligations payable to the retired employees. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes.

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

During the FY 2020, the Directors are not aware of any business or interest of the Directors or the controlling shareholders of the Company that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

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

During the FY 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions and dealing (the "Code of Conduct") by Directors on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). The Company has made specific enquiry of all Directors as to whether they have complied with the required standard set out in the Model Code and the Code of Conduct during the year ended 30 June 2020.

All the Directors have confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct throughout the year ended 30 June 2020.

CORPORATE GOVERNANCE CODE

During the year ended 30 June 2020, the Group was in compliance with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules, except the deviations disclosed below:

	Code Provision	Deviation	Considered Reason for Deviation
A.2.1	The roles of chairman and chief executive officer should be separated and should not be performed by the same individual.	Following the resignation of Ms. Wang Fei as Chief Executive Officer of the Company (the "CEO"), the Chairman took role of CEO of the Company temporarily.	The Board would make its best endeavours to identify an appropriate person for the position of the CEO of the Company.
A.7.1	Board meeting papers should be sent, in full, to all directors at least 3 days before the intended date of meeting.	During the year, certain Board meetings were held and the relevant board meeting papers were sent to all Directors less than three 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 from time to time. Although the meeting papers could not be sent to the directors at least three days, the Board members still have sufficient information to discuss the matters on proposed projects or transactions of the Company on time.

	Code Provision	Deviation	Considered Reason for Deviation
C.1.2	Management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules.	The management could not provide the Directors with updated financial information of the Company each month.	The Board members of the Company were still informed by the management of the Company by email, by WeChat or by phone on the updated information of the Company's performance and future business plan from time to time.
C.2.1	The Board should oversee the Company's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the Group's risk management and internal control systems has been conducted at least annually and report to Shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.	During the year, the Board identified certain deficiencies in internal control systems over its compliance matters.	The Company would engage an external consultant to further review its certain existing internal control measures on the areas agreed by the Board and provide suggestions and recommendations to improve its internal control systems and risk management system to the Group.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has been established in accordance with the GEM Listing Rules. Members of the Audit Committee comprise Mr. Chen Ce (Chairman), Ms. Ji Fang and Mr. Gao Shuo, all of them being independent non-executive Directors. The Audit Committee has reviewed with the management this announcement, the accounting principles and practices adopted by the Group, financial reporting matters including a review of the consolidated results for the year ended 30 June 2020 prior to recommending them to the Board for approval.

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

Hong Kong, 30 October 2020

As at the date hereof, the Board comprises Mr. Zhu Yongjun 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 will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the day of its publication and on the website of the Company at http://www.millionstars.hk.

* *for identification only*