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Million Stars

MILLION STARS HOLDINGS LIMITED

萬星控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8093)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 30 JUNE 2019**

**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.

FINANCIAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30 June 2019, together with the audited comparative figures for the year ended 30 June 2018 as follows, which are presented in Hong Kong dollars (“HK\$”):

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	<i>Note</i>	2019 HK\$'000	2018 <i>HK\$'000</i> (Represented)
Continuing operations			
Revenue	4	270,729	526,341
Cost of services		(230,119)	(269,435)
Gross profit		40,610	256,906
Other income, gains/(losses)	5	3,092	627
Selling and distribution expenses		(3,266)	(5,741)
Administrative expenses		(39,887)	(35,148)
Net impairment losses on trade and other receivables		(34,934)	(4,742)
(Loss)/profit from operations		(34,385)	211,902
Finance costs	6	(626)	(7)
(Loss)/profit before tax		(35,011)	211,895
Income tax expense	7	(1,790)	(7,714)
(Loss)/profit for the year from continuing operations	8	(36,801)	204,181
Discontinued operation			
Profit from discontinued operation, after tax for the year	9	195	399
(Loss)/profit for the year		(36,606)	204,580
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(8,809)	(3,002)
Exchange differences reclassified to profit or loss on disposal of subsidiaries		(257)	6
Other comprehensive income for the year, net of tax		(9,066)	(2,996)
Total comprehensive income for the year		(45,672)	201,584

	<i>Note</i>	2019 HK\$'000	2018 HK\$'000 (Represented)
(Loss)/profit for the year attributable to:			
Owners of the Company		(36,606)	199,455
Non-controlling interests		<u>—</u>	<u>5,125</u>
		<u>(36,606)</u>	<u>204,580</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		(45,672)	196,459
Non-controlling interests		<u>—</u>	<u>5,125</u>
		<u>(45,672)</u>	<u>201,584</u>
(Loss)/earnings per share			
Basic and diluted (HK cents)	<i>11</i>		
— From continuing and discontinued operations		<u>(9.15)</u>	<u>49.86</u>
— From continuing operations		<u>(9.20)</u>	<u>49.76</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		3,631	5,747
Goodwill		2,578	2,678
		6,209	8,425
Current assets			
Inventories		–	8,809
Trade receivables	12	113,508	226,434
Deposits, prepayments and other receivables		145,465	73,454
Bank and cash balances		19,564	113,435
Pledged bank deposits		3,905	1,050
		282,442	423,182
Current liabilities			
Trade payables	13	38,403	79,651
Accruals, other payables and trade deposits received		6,351	23,868
Contract liabilities		9,963	–
Amount due to a shareholder		247	58,559
Borrowings		14,522	–
Finance lease payables		–	175
Current tax liabilities		9,130	7,841
		78,616	170,094
Net current assets		203,826	253,088
Total assets less current liabilities		210,035	261,513
Non-current liabilities			
Borrowings		170	–
Finance lease payables		–	331
Deferred tax liabilities		–	5
		170	336
NET ASSETS		209,865	261,177
Capital and reserves			
Share capital	14	4,000	4,000
Reserves		205,865	257,177
TOTAL EQUITY		209,865	261,177

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 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 provision of internet advertising agency services and mobile payment technical support services during the year.

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 GEM 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. ADOPTION 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 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

- (i) HKFRS 9 Financial Instruments; and
- (ii) HKFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The difference between carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(a) Classification

From 1 July 2018, the Group classifies its financial assets in the measurement category to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

(b) Measurement

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into amortised cost:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

(c) Impairment

From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

For assets in scope of the HKFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of HKFRS 9 impairment model requirements at 1 July 2018 results in an additional impairment allowance as follows:

	<i>Note</i>	<i>HK\$'000</i>
Impairment allowance at 30 June 2018 under HKAS 39		4,657
Additional impairment recognised at 1 July 2018 on:		
— Trade receivables	(a)	3,344
— Deposits, prepayments and other receivables	(a)	2,296
Impairment allowance at 1 July 2018 under HKFRS 9		<u>10,297</u>

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 July 2018.

	<i>Note</i>	Classification under HKAS 39	Classification under HKFRS 9	Carrying amount under HKAS 39 HK\$'000	Carrying amount under HKFRS 9 HK\$'000
Financial assets					
Trade receivables	(a)	Loans and receivables	Amortised cost	226,434	223,090
Deposits, prepayments and other receivables	(a)	Loans and receivables	Amortised cost	8,031	5,735
Bank and cash balances	(a)	Loans and receivables	Amortised cost	113,435	113,435
Pledged bank deposits	(a)	Loans and receivables	Amortised cost	1,050	1,050

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 July 2018 have not been impacted by the initial application.

Note:

- (a) Trade receivables, deposits, prepayments and other receivables, bank and cash balances and pledged bank deposits that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. An increase of HK\$3,344,000 and HK\$2,296,000 in the allowance for impairment of the trade receivables and deposits, prepayments and other receivables respectively was recognised in opening retained profits at 1 July 2018 on transition to HKFRS 9.

Impairment losses related to trade receivables, deposits, prepayments and other receivables are presented separately in the consolidated statement of profit or loss and other comprehensive income. As a result, the Group reclassified impairment losses amounting to HK\$4,747,000 recognised under HKAS 39 from “other income, gains/(losses)” to “net impairment losses on trade and other receivables” in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 July 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 July 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The adoption of HKFRS 15 resulted in the following changes to the Group's accounting policies.

Revenue from sales of leather products is recognised when control of the products has transferred, being when the products are delivered to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

A receivable is recognised when the leather products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue from the provision of internet advertising agency services, mobile payment technical support services and the promotion of mobile game and related services are recognised over the period in which the services are performed representing the entity's right to consideration for the services performed to date.

Revenue from performance based advertisements is recognised on a per-click basis when the users click on the content for pay for click advertisements, or on a per-display basis, when the advertising contents are displayed to users for pay for instant display advertisements.

Set out below is the impact on HKFRS 15 on the Group.

The following table summarises the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 30 June 2019, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2019 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

		Amounts reported in accordance with HKFRS 15	Hypothetical amounts under HKASs 18 and 11	Estimated impact of adoption of HKFRS 15
As at 30 June 2019		HK\$'000	HK\$'000	HK\$'000
	<i>Note</i>			
Consolidated statement of financial position (extract)				
Trade deposits received	(i)	–	9,963	(9,963)
Contract liabilities	(i)	9,963	(9,963)	–

- (i) Reclassifications were made as at 1 July 2018 to be consistent with the terminology under HKFRS 15:

Contract liabilities for amounts received from customers recognised in relation to provision of internet advertising agency services were previously presented as “Trade deposits received”.

(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 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019

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 HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied.

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.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group’s operating leases. The Group’s office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group’s assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to HK\$6,279,000 as at 30 June 2019. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4. 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:

	2019 HK\$'000	2018 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15 disaggregated by major products or service lines		
Internet advertising agency services	270,629	470,344
Mobile payment technical support services	100	55,997
	<u>270,729</u>	<u>526,341</u>

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	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Primary geographical markets						
— The PRC	218,710	370,457	100	55,997	218,810	426,454
— Hong Kong	51,919	99,887	—	—	51,919	99,887
Segment revenue	270,629	470,344	100	55,997	270,729	526,341
Intersegment revenue	—	—	—	—	—	—
Revenue from external customers	270,629	470,344	100	55,997	270,729	526,341
Timing of revenue recognition						
Services transferred over time	270,629	470,344	100	55,997	270,729	526,341

The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11.

The Group has two operating segments 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 during the current year. The segment information reported does not include any amounts for this discontinued operation, which are described in more detail in note 9.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include other income, 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 intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Information about operating segment profit or loss, assets and liabilities from continuing operations:

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	(26,220)	(1,599)	(27,819)
Net impairment losses on trade and other receivables	(11,970)	(22,977)	(34,947)
Segment results	52	(25,474)	(25,422)
Other income, gains/(losses)			3,105
Unallocated corporate expenses			(12,694)
Loss before tax			(35,011)
Year ended 30 June 2018 (represented)	Internet advertising agency services HK\$'000	Mobile payment technical support services HK\$'000	Total HK\$'000
Revenue	470,344	55,997	526,341
Cost of services	(261,724)	(7,711)	(269,435)
Gross profit	208,620	48,286	256,906
Selling and distribution expenses	(4,995)	(746)	(5,741)
Administrative expenses	(15,773)	(594)	(16,367)
Impairment losses on trade receivables	(1,588)	(3,154)	(4,742)
Segment results	186,264	43,792	230,056
Other income, gains/(losses)			627
Unallocated corporate expenses			(18,788)
Profit before tax			211,895

Year ended 30 June 2019	Internet advertising agency services HK\$'000	Mobile payment technical support services HK\$'000	Total HK\$'000
Additions to segment non-current assets	582	60	642
Depreciation	1,115	158	1,273
Year ended 30 June 2018			
Additions to segment non-current assets	4,183	906	5,089
Depreciation	791	65	856
At 30 June 2019	Internet advertising agency services HK\$'000	Mobile payment technical support services HK\$'000	Total HK\$'000
Segment assets	270,034	9,749	279,783
Segment liabilities	68,032	1,822	69,854
At 30 June 2018			
Segment assets	340,081	48,428	388,509
Segment liabilities	125,486	1,962	127,448
Reconciliations of segment revenue and profit or loss from continuing operations:			
	2019 HK\$'000	2018 HK\$'000	
Revenue			
Total revenue of reportable segments	270,729	526,341	
Elimination of intersegment revenue	—	—	
Consolidated revenue	270,729	526,341	

Reconciliations of segment assets and liabilities:

	2019 HK\$'000	2018 <i>HK\$'000</i>
Assets		
Total assets of reportable segments	279,783	388,509
Assets relating to discontinued operation	–	29,183
Unallocated corporate assets	8,868	13,915
Consolidated total assets	288,651	431,607
Liabilities		
Total liabilities of reportable segments	69,854	127,448
Liabilities relating to discontinued operation	–	35,957
Unallocated corporate liabilities	8,932	7,025
Consolidated total liabilities	78,786	170,430

Information about major customers

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

	2019 HK\$'000	2018 <i>HK\$'000</i>
From continuing operations		
Internet advertising agency services		
Customer A	509	102,887
Customer B	101,357	57,111

Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		Non-current assets	
	2019	2018	2019	2018
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
From continuing operations				
The PRC	218,810	426,454	5,937	7,683
Hong Kong	51,919	99,887	239	418
United States of America	–	–	33	–
	270,729	526,341	6,209	8,101

5. OTHER INCOME, GAINS/(LOSSES)

	2019 HK\$'000	2018 HK\$'000
Continuing operations		
Interest income on bank deposits	141	511
Interest income on loans receivable	1,673	–
Exchange gain/(loss), net	581	(6)
Gain on disposal of subsidiaries, net	–	109
Sponsorship income from an exhibition event	522	–
Sundry income	175	13
	<u>3,092</u>	<u>627</u>

6. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Continuing operations		
Finance lease charges	33	7
Interest on bank loans	420	–
Interest on other borrowings	173	–
	<u>626</u>	<u>7</u>

7. INCOME TAX EXPENSE

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

	2019 HK\$'000	2018 HK\$'000
Current income tax:		
Hong Kong Profits Tax	1,879	7,269
PRC Enterprise Income Tax	–	445
	<u>1,879</u>	<u>7,714</u>
Over-provision in prior years:		
Hong Kong Profits tax	(19)	–
PRC Enterprise Income Tax	(70)	–
	<u>(89)</u>	<u>–</u>
Income tax expenses	<u>1,790</u>	<u>7,714</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year ended 30 June 2019.

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%.

PRC Enterprise Income Tax has been provided at a rate of 25% (2018: 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稅優惠目錄》), 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), 霍爾果斯香蕉超人信息科技有限公司 (Horgos Xiangjiao Chaoren Information Technology Limited) and 霍爾果斯東潤網絡科技有限公司 (Horgos Dongrun Network Technology Limited) 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.

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:

	2019 HK\$'000	2018 <i>HK\$'000</i>
(Loss)/profit before tax (from continuing operations)	(35,011)	211,895
Tax calculated at the rates applicable to respective tax jurisdictions	(1,312)	50,614
Tax effect of income that is not taxable	(93)	(3,698)
Tax effect of expenses that are not deductible	2,825	2,306
Over-provision in prior years	(89)	–
Tax effect of tax losses not recognised	5,957	3,991
Tax effect of utilisation of tax losses previously not recognised	(35)	–
Effect of tax concession	(5,463)	(45,499)
Income tax expenses (relating to continuing operations)	1,790	7,714

8. (LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

The Group's (loss)/profit for the year from continuing operations is stated after charging/(crediting) the following:

	2019 HK\$'000	2018 <i>HK\$'000</i>
Auditors' remuneration	1,250	1,300
Depreciation	1,477	942
Exchange (gain)/loss, net	(581)	6
Operating lease rentals in respect of properties	9,386	7,820
Loss on disposal of property, plant and equipment	724	49
Net impairment losses on trade and other receivables	34,934	4,742

9. 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	2018 HK\$'000
Profit for the year from discontinued operation:		
Revenue	37,219	60,448
Cost of sales	(24,509)	(41,994)
Selling and distribution expenses	(1,110)	(2,167)
Administrative expenses	(14,019)	(15,488)
Net impairment losses on trade and other receivables	(640)	(5)
Other income, gains/(losses)	940	59
(Loss)/profit before tax	(2,119)	853
Income tax expense	(10)	(454)
	(2,129)	399
Gain on disposal of operation	2,324	–
Income tax expense	–	–
Profit for the year from discontinued operation (attributable to owners of the Company)	195	399
Profit for the year from discontinued operation include the following:		
Depreciation*	168	145
Auditor's remuneration	–	100
Cash flows from discontinued operation:		
Net cash inflows/(outflows) from operating activities	21,178	(18,502)
Net cash outflows from investing activities	(403)	(72)
Net cash (outflows)/inflows from financing activities	(18,626)	19,674
Net cash inflows	2,149	1,100

* Included in cost of sales for the years ended 30 June 2019 and 2018 were depreciation charge of approximately HK\$71,000 and HK\$53,000 respectively.

10. DIVIDENDS

The Directors do not recommend any dividend for the years ended 30 June 2019 and 2018.

11. (LOSSES)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to the owners of the Company is based on the following data:

	2019 '000	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<u>400,000</u>	<u>400,000</u>

From continuing and discontinued operations

The calculation of the basic (loss)/earnings per share attributable to the owners of the Company is based on the following:

	2019 HK\$'000	2018 HK\$'000
(Loss)/profit		
(Loss)/profit for the purpose of calculating basic (loss)/earnings per share	<u>(36,606)</u>	<u>199,455</u>

From continuing operations

The calculation of the basic (loss)/earnings per share attributable to the owners of the Company from continuing operations is based on the following:

	2019 HK\$'000	2018 HK\$'000
(Loss)/profit		
(Loss)/profit for the purpose of calculating basic (loss)/earnings per share	<u>(36,801)</u>	<u>199,056</u>

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings per share are the same.

From discontinued operation

Basic and diluted earnings per share from the discontinued operation is HK0.05 cents per share (2018: HK0.10 cents per share), based on the profit for the year from discontinued operation attributable to the owners of the Company of approximately HK\$195,000 (2018: approximately HK\$399,000) and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

12. TRADE RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Trade receivables	141,481	231,091
Allowance for doubtful debts	<u>(27,973)</u>	<u>(4,657)</u>
	<u>113,508</u>	<u>226,434</u>

The Group's sales of leather products are based on letters of credit and advances before delivery. 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 (2018: from 7 to 180 days) for its internet advertising agency business customers and 30 days for its mobile payment technical support business customers. The Group does not hold any collateral over these balances.

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

	2019 HK\$'000	2018 <i>HK\$'000</i>
Within 30 days	14,131	66,533
31 to 60 days	7,974	64,514
61 to 90 days	5,166	30,772
91 to 180 days	12,831	57,010
181 to 365 days	14,648	7,555
Over 365 days	58,758	50
	113,508	226,434

As at 30 June 2019, an allowance was made for estimated irrecoverable trade receivables of approximately HK\$27,973,000 (2018: HK\$4,657,000).

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

	2019 HK\$'000	2018 <i>HK\$'000</i>
United States dollars	16,025	25,645
Renminbi ("RMB")	97,483	200,789
	113,508	226,434

13. TRADE PAYABLES

	2019 HK\$'000	2018 <i>HK\$'000</i>
Trade payables	38,403	79,651

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

	2019 HK\$'000	2018 <i>HK\$'000</i>
Within 30 days	9,001	38,224
31 to 60 days	1,457	25,171
61 to 90 days	1,326	3,392
Over 90 days	26,619	12,864
	38,403	79,651

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

	2019 HK\$'000	2018 HK\$'000
RMB	38,403	76,223
HK\$	–	3,428
	<u>38,403</u>	<u>79,651</u>

14. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 1 July 2017, 30 June 2018, 1 July 2018 and 30 June 2019	<u>4,000,000</u>	<u>40,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 July 2017, 30 June 2018, 1 July 2018 and 30 June 2019	<u>400,000</u>	<u>4,000</u>

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 30 June 2019 (2018: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

The Group is an integrated group specialising in (i) internet advertising agency services; and (ii) mobile payment technical support services during the year.

Business Review

Internet Advertising Agency Services

The Group provides 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. 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 advertising agent of Jinri Toutiao* (今日頭條). Dongrun Network, whose customers are principally engaged in the internet industry, covers industries such as e-commerce, online tourism, game, video, dating and automobiles. Its major customers include well-known enterprises such as Tencent, Jinri Toutiao and Dianping.com (大眾點評). During the year, Dongrun Network achieved an operating income of approximately HK\$216 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 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\$52 million.

Mobile Payment Technical Support Services

Due to the introduction of new laws and regulations in the PRC, the government has implemented more stringent management of mobile payment. In order to avoid possible operational risks, the Group decided to temporarily suspend the mobile payment technical support services.

Leather Business

The Group was engaged in manufacturing and sales of leather products through its wholly-owned subsidiaries, Odella International Limited, Perline Company Limited (柏麗發展有限公司) and Foshan Nanhai Shengli Leather Garment Co. Ltd.* (佛山市南海盛麗皮衣有限公司) (the “Odella Group”). Due to adverse impact of international trade environment, net profit margin of leather business has gradually decreased in recent years. The Group decided to terminate leather business and disposed of the Odella Group at the consideration of HK\$10 million in February 2019 and the transaction has been completed. During the year, the sales revenue from leather products amounted to approximately HK\$37 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.

Financial Review

Overview

During the year, the revenue of the Group recorded a decrease of approximately 48% from approximately HK\$526 million for the year ended 30 June 2018 (“FY 2018”) to approximately HK\$271 million for the year ended 30 June 2019 (“FY 2019”).

During FY 2019, the Group recorded a loss after tax of approximately HK\$37 million, represented a decrease of approximately HK\$242 million as compared with the profit after tax of approximately HK\$205 million in FY 2018. This is mainly attributable to narrow profit margin of the provision of internet advertising agent services, a decrease in net profit arising from the mobile payment technical support services and the impairment losses on trade and other receivables.

Gross Profit

Gross profit margin decreased from 49% in FY2018 to 15% in FY2019 mainly attributable to a lower gross profit of provision of internet advertising agency services in Mainland China during the current year.

Other Income, Gains/(Losses)

Other income and gains/(losses), mainly represented sundry income incidental to our business, principally including interest income, net exchange differences.

Other income and other gains/(losses), amounted to net gains of HK\$3 million in FY 2019 compared to net gains HK\$1 million in FY 2018. The increase was mainly due to the interest income received during the year.

Selling and Distribution Expenses

Selling and distribution expenses mainly comprised sales and marketing expenses. Selling and distribution expenses decreased from approximately HK\$6 million in FY 2018 to approximately HK\$3 million in FY 2019, representing a decrease of approximately HK\$3 million mainly due to the fall in the revenue.

Administrative Expenses

Administrative expenses mainly comprised payroll expenses, rent and rates and other office administrative expenses. Administrative expenses increased from approximately HK\$35 million in FY 2018 to approximately HK\$40 million in FY 2019.

The higher administrative expenses in FY 2019 were mainly attributable to an increase in office administrative expenses for internet advertising agency services.

Finance Costs

Finance costs increased from HK\$7,000 in FY 2018, to HK\$626,000 in FY 2019, 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 2019, included in net current assets were bank and cash balances (including pledged bank deposits) totalling approximately HK\$23 million (2018: HK\$114 million), the decrease of which was mainly due to repayment of amount due to a shareholder. Total debt to equity ratio of the Group expressed as a percentage of interest bearing borrowings over total equity was approximately 6.25% as at 30 June 2019 (30 June 2018: 0.19%).

As at 30 June 2019, the Group obtained banking borrowings amounting to HK\$8 million (30 June 2018: Nil). The Group has interest-bearing bank loans which carry interest, ranging from 5.48% to 11.34% per annum in FY 2019 (30 June 2018: Nil).

As at 30 June 2019, the Group has also borrowed unsecured interest-free loans from third parties in amount of HK\$2 million (30 June 2018: Nil) and interest-bearing loan from third party of HK\$5 million which carries interest of 3% per annum in FY 2019 (30 June 2018: Nil).

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 2019, the Group's banking facilities were supported by pledged bank deposits of the Group of approximately HK\$4 million (2018: HK\$1 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 (2018: Nil). However, the Group continues to monitor its related interest rate exposure closely.

Capital Commitments and Contingent Liabilities

As at 30 June 2019, the Group did not have any significant capital commitment (2018: Nil) and contingent liability (2018: 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 18 February 2019, the Company entered into a sale and purchase agreement with the purchaser, pursuant to which the Company agreed to sell and the purchaser agreed to acquire the entire interests in Odella International Limited at a total consideration of HK\$10,000,000. The disposal was completed.

During FY2019, the Group did not have any material acquisition.

Employees and Remuneration Policy

As at 30 June 2019, the Group had a workforce of 109 employees (2018: 188). Total staff costs for FY 2019 were approximately HK\$34 million, as compared to staff cost of HK\$34 million in FY 2018.

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 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.

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 2019, 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 Group.

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

During the FY 2019, 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 2019.

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 2019.

CORPORATE GOVERNANCE CODE

During the year ended 30 June 2019, the Group was in compliance with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

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 INEDs. 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 2019 prior to recommending them to the Board for approval.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 30 June 2019 have been agreed by the Company's auditors, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 June 2019. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

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

Hong Kong, 25 September 2019

As at the date hereof, 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 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*