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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 UNAUDITED 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.

FINANCIAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (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\$”):

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	2020 HK\$'000 (Unaudited)	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		(36,704)	(39,887)
Net reversal of impairment losses/(impairment losses) recognised on trade and other receivables		29,583	(34,934)
Impairment loss recognised on amount due from an associate		(290)	–
Impairment loss recognised on goodwill		(2,485)	–
Share of results of associates		(1,170)	–
Finance costs	5	(4,246)	(626)
Loss before tax		(5,674)	(35,011)
Income tax expenses	6	–	(1,790)
Loss for the year from continuing operations		(5,674)	(36,801)
Discontinued operation			
Profit from discontinued operation, after tax for the year	7	–	195
Loss for the year		(5,674)	(36,606)
Other comprehensive expenses:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translating foreign operations		(6,409)	(8,809)
Share of other comprehensive expenses of associates		(272)	–
Exchange differences reclassified to profit or loss on disposal of subsidiaries		–	(257)
Other comprehensive expenses for the year, net of tax		(6,681)	(9,066)
Total comprehensive expenses for the year		(12,355)	(45,672)
Loss per share			
Basic and diluted (HK cents)	9		
— From continuing and discontinued operations		(1.38)	(9.15)
— From continuing operations		(1.38)	(9.20)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	<i>Notes</i>	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		2,290	3,631
Right-of-use assets		8,329	–
Intangible assets		49,122	–
Interests in associates		61,305	–
Goodwill		–	2,578
		121,046	6,209
Current assets			
Trade receivables	<i>10</i>	38,606	113,508
Deposits, prepayments and other receivables		84,771	145,465
Amount due from an associate		6,066	–
Pledged bank deposits		5,857	3,905
Bank and cash balances		49,895	19,564
		185,195	282,442
Current liabilities			
Trade payables	<i>11</i>	32,696	38,403
Accruals, other payables		13,189	6,351
Contract liabilities		12,408	9,963
Amount due to a shareholder		352	247
Borrowings		30,792	14,522
Lease liabilities		5,222	–
Current tax liabilities		5,511	9,130
		100,170	78,616
Net current assets		85,025	203,826
Total assets less current liabilities		206,071	210,035
Non-current liabilities			
Borrowings		–	170
Lease liabilities		3,561	–
		3,561	170
NET ASSETS		202,510	209,865
Capital and reserves			
Share capital	<i>12</i>	4,200	4,000
Reserves		198,310	205,865
TOTAL EQUITY		202,510	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.

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 <i>HK\$'000</i>
Operating lease commitments disclosed as at 30 June 2019	6,279
Add: Operating lease commitments pursuant to the Company's announcement dated 10 October 2019 (<i>Note below</i>)	19,201
	<u>25,480</u>
Lease liabilities discounted at relevant incremental borrowing rates	22,850
Less: Practical expedient — leases with lease term ending within 12 months from the date of initial application	<u>(2,018)</u>
Short-term leases	(351)
Lease liabilities as at 1 July 2019	<u>20,481</u>
Analysed as:	
Current	5,733
Non-current	14,748
	<u>20,481</u>

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, and further, the Group also entered into tenancy agreements in respect of the leasing of the premises located in Shenzhen and the office printing machine. The total operating 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 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 July 2019 HK\$'000
Non-current assets			
Right-of-use assets	–	20,481	20,481
Current liabilities			
Lease liabilities	–	5,733	5,733
Non-current liabilities			
Lease liabilities	–	14,748	14,748

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 HK\$'000 (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Internet advertising agency services	434,314	270,629
Mobile payment technical support services	<u>—</u>	<u>100</u>
	<u>434,314</u>	<u>270,729</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	
	2020 HK\$'000 (Unaudited)	2019 <i>HK\$'000</i> (Audited)	2020 HK\$'000 (Unaudited)	2019 <i>HK\$'000</i> (Audited)	2020 HK\$'000 (Unaudited)	2019 <i>HK\$'000</i> (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	<u>434,314</u>	<u>270,629</u>	<u>—</u>	<u>100</u>	<u>434,314</u>	<u>270,729</u>
Intersegment revenue	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Revenue from external customers	<u>434,314</u>	<u>270,629</u>	<u>—</u>	<u>100</u>	<u>434,314</u>	<u>270,729</u>
Timing of revenue recognition						
Services transferred over time	<u>434,314</u>	<u>270,629</u>	<u>—</u>	<u>100</u>	<u>434,314</u>	<u>270,729</u>

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 8.

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 described in note 3. Segment profits or losses represents the profit earned by/loss from each segment without allocation of other income, gains/(losses), share of results of associates 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 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:

	Internet advertising agency services HK\$'000	Mobile payment technical support services HK\$'000	Total HK\$'000
For the year ended 30 June 2020			
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	(25,455)	(104)	(25,559)
Impairment loss recognised on goodwill	(2,485)	–	(2,485)
Impairment loss recognised on amount due from an associate	(290)	–	(290)
Net-impairment loss recognised on trade and other receivables	3,430	26,073	29,503
Segment results	(18,416)	25,969	7,553
Other income, gains and losses, net			3,254
Share of results of associates			(1,170)
Unallocated corporate expenses			(15,311)
Loss before tax			(5,674)

	Internet advertising agency services <i>HK\$'000</i>	Mobile payment technical support services <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 30 June 2019			
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 <i>HK\$'000</i>	Mobile payment technical support services <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 June 2020			
Segment assets	273,420	27,885	301,305
Segment liabilities	89,589	1,462	91,051
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 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue		
Total revenue of reportable segments	434,314	270,729
Elimination of intersegment revenue	–	–
	<u>434,314</u>	<u>270,729</u>
Consolidated revenue	<u><u>434,314</u></u>	<u><u>270,729</u></u>

Reconciliations of segment assets and liabilities:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Assets		
Total assets of reportable segments	301,305	279,783
Unallocated corporate assets	4,936	8,868
	<u>306,241</u>	<u>288,651</u>
Consolidated total assets	<u><u>306,241</u></u>	<u><u>288,651</u></u>
Liabilities		
Total liabilities of reportable segments	91,051	69,854
Unallocated corporate liabilities	12,681	8,932
	<u>103,732</u>	<u>78,786</u>
Consolidated total liabilities	<u><u>103,732</u></u>	<u><u>78,786</u></u>

4. OTHER INCOME, GAINS AND LOSSES, NET

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Continuing operations		
Interest income on bank deposits	54	141
Interest income on loans receivable	435	1,673
Exchange gain and loss, net	(83)	581
Sponsorship income from an exhibition event	–	522
Additional input VAT granted	1,702	–
Sundry income	1,146	175
	<u>3,254</u>	<u>3,092</u>
	<u><u>3,254</u></u>	<u><u>3,092</u></u>

5. FINANCE COSTS

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Continuing operations		
Finance lease charges	–	33
Interest on lease liabilities	933	–
Interest on bank and other borrowings	3,313	593
	<u>4,246</u>	<u>626</u>

6. INCOME TAX EXPENSES

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

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

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.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision has been made for Hong Kong Profits Tax as there are no assessable profits generated for the year.

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.

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 (“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.

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/(losses)	940
Loss before tax	(2,119)
Income tax expense	(10)
	(2,129)
Gain on disposal of operation	2,324
Income tax expense	—
Profit for the year from discontinued operation (attributable to owners of the Company)	<u>195</u>

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	<u>2,149</u>

* 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 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company		
— from continuing operations	(5,674)	(36,801)
— from discontinued operations	—	195
	<u>(5,674)</u>	<u>(36,606)</u>
Loss for the purpose of calculating basic and diluted loss per share	<u>(5,674)</u>	<u>(36,606)</u>
	2020 <i>'000</i>	2019 <i>'000</i>
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	—
	<u>411,202</u>	<u>400,000</u>
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>411,202</u>	<u>400,000</u>

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 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss		
Loss for the purpose of calculating basic and diluted loss per share	<u>(5,674)</u>	<u>(36,801)</u>

The denominators used are the same as those detailed above for both basic and diluted loss 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.

10. TRADE RECEIVABLES

	2020 HK\$'000 (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Trade receivables	48,577	141,481
Less: Allowances	(9,971)	(27,973)
	<u>38,606</u>	<u>113,508</u>

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 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:

	2020 HK\$'000 (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Within 30 days	17,485	14,131
31 to 60 days	697	7,974
61 to 90 days	5,033	5,166
91 to 180 days	15,189	12,831
181 to 365 days	202	14,648
Over 365 days	–	58,758
	<u>38,606</u>	<u>113,508</u>

As at 30 June 2020, an allowance was made for estimated irrecoverable trade receivables of approximately HK\$9,971,000 (2019: HK\$27,973,000).

11. TRADE PAYABLES

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Trade payables	<u>32,696</u>	<u>38,403</u>

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

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (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	<u>22,130</u>	<u>26,619</u>
	<u>32,696</u>	<u>38,403</u>

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

12. SHARE CAPITAL

	Number of shares '000	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each at 1 July 2018, 30 June 2019, 1 July 2019 and 30 June 2020	<u>4,000,000</u>	<u>40,000</u>
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 (<i>Note</i>)	<u>20,000</u>	<u>200</u>
At 30 June 2020	<u>420,000</u>	<u>4,200</u>

Note: On 9 December 2019, 20,000,000 ordinary shares of the Company were allotted and issued to a subscriber by the Company at a total consideration of HK\$5,000,000 of which HK\$200,000 was credited to share capital account and HK\$4,800,000 was credited to share premium account.

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 advertising agent of 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 period, 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 period, 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\$5.7 million, represented an increase of approximately HK\$30.9 million as compared with the loss after tax of approximately HK\$36.6 million in FY 2019. This is mainly attributable to the net reversal of the impairment losses on trade and other receivables.

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/(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\$3.3 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\$36.7 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\$4.2 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 15.2% 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\$7.8 million). The Group has interest-bearing bank loans which carry interest, ranging from 2.8% to 4.9% 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\$1.9 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\$55,000,000) 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.

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\$14.1 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 (“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 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 provisions detailed below:

	Code Provision	Deviation	Considered Reason for Deviation
A.7.1	Board meeting papers should be sent, in full, to all directors at least 3 days before the intended date of meeting.	During the year, certain Board meetings were held and the relevant board meeting papers were sent to all Directors less than 3 days before the date of the Board meeting.	The Board members of the Company were informed by the management of the Company by email, by WeChat or by phone on the updated information from time to time. Although the meeting papers could not be sent to the directors at least 3 days, the Board members still have sufficient information to discuss the matters on proposed projects or transactions of the Company on time.

	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 did not provide the Directors with monthly updates.	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.

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 2020 prior to recommending them to the Board for approval.

REVIEW OF UNAUDITED ANNUAL RESULTS

The Group has major operations in the PRC, which was subject to travel restrictions and quarantine policies imposed by the government to combat the COVID-19 outbreak after the Chinese New Year. As a result, it has significantly delayed the auditing process as the auditors were unable to carry out certain audit procedures and necessary field work in the PRC. The auditing process for the annual results for the year ended 30 June 2020 has not been completed due to the COVID-19 outbreak. The annual results contained herein is only based on a preliminary assessment by the Board with reference to the information currently available which have not been agreed by Yongtuo Fuson CPA Limited, the independent auditors of the Company, as required under the GEM Listing Rules. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by HKICPA.

Material Uncertainty and Outstanding Audit Procedures

Due to COVID-19 outbreak, travel restrictions and quarantine policies imposed by the government in the PRC, our auditors were unable to perform interviews with the customers and obtain certain balance confirmations from the customers, suppliers and banks in the PRC.

The COVID-19 outbreak also led to delay in preparation of the impairment assessment of certain assets in the PRC. Our auditors have not completed the review of the impairment assessment on the carrying amounts of certain assets of the Group, including the intangible assets of HK\$49,122,000 and investments in associates of HK\$61,305,000 as at 30 June 2020. The impairment assessment of these assets involved the use of significant management judgements and estimates.

The finalization of the audited results for the year ended 30 June 2020 will be subject to the completion of the above audit procedures.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 30 June 2020 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. The Company expects the auditing process will be completed on or before 31 October 2020.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed by the auditors, and are subject to adjustments (if any). Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 30 September 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