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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 2022**

**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 Group for the year ended 30 June 2022, together with the audited comparative figures for the year ended 30 June 2021 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 2022

	<i>Notes</i>	2022 HK\$’000 (Unaudited)	2021 HK\$’000 (Audited)
Revenue	3	46,774	209,261
Cost of sales		(44,953)	(193,473)
Gross profit		1,821	15,788
Other income, gains and losses, net	4	2,311	2,887
Selling and distribution expenses		(433)	(578)
Administrative expenses		(24,120)	(27,108)
Impairment loss recognised on trade and other receivables, net		(7,963)	(21,432)
Impairment loss recognised on property, plant and equipment		(7,652)	(270)
Impairment loss recognised on goodwill		–	(2,406)
Reversal of impairment loss recognised on amount due from an associate		–	1,415
Share of results of associates		–	(11,031)
Finance costs	5	(114)	(1,128)

	<i>Notes</i>	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> <i>(Audited)</i>
Loss before tax		(36,150)	(43,863)
Income tax expense	6	<u>–</u>	<u>(267)</u>
Loss for the year attributable to owners of the Company		<u>(36,150)</u>	<u>(44,130)</u>
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translating foreign operations		3,466	7,436
Share of exchange differences of associates		<u>–</u>	<u>3,630</u>
Other comprehensive income for the year, net of tax		<u>3,466</u>	<u>11,066</u>
Total comprehensive expense for the year attributable to owners of the Company		<u>(32,684)</u>	<u>(33,064)</u>
		2022 HK cents (Unaudited)	2021 <i>HK cents</i> <i>(Audited)</i>
Loss per share			
Basic	8	<u>(7.49)</u>	<u>(10.51)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<i>Notes</i>	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		4,324	18,400
Right-of-use assets		469	445
Intangible assets		–	–
Interests in associates		–	–
Goodwill		–	–
Prepayment for acquisition of property, plant and equipment		–	29,607
		4,793	48,452
Current assets			
Trade receivables	9	4,783	28,819
Deposits, prepayments and other receivables		115,128	66,724
Bank and cash balances		19,917	1,446
		139,828	96,989
Assets classified as held-for-sale		–	52,861
		139,828	149,850
Current liabilities			
Trade payables	10	–	7,907
Accruals and other payables		16,014	14,031
Advance payments received from share subscription		–	6,300
Amount due to a shareholder		–	354
Amount due to a director		–	654
Borrowings		9,327	10,162
Loan from a director		604	–
Lease liabilities		286	454
Current tax liabilities		2,127	4,258
		28,358	44,120
Liabilities associated with assets classified as held-for-sale		–	22,412
		28,358	66,532
Net current assets		111,470	83,318
Total assets less current liabilities		116,263	131,770

	<i>Notes</i>	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Audited)
Non-current liabilities			
Lease liabilities		<u>177</u>	<u>–</u>
		<u>177</u>	<u>–</u>
NET ASSETS		<u>116,086</u>	<u>131,770</u>
Capital and reserves			
Share capital	<i>11</i>	4,880	4,200
Reserves		<u>111,206</u>	<u>127,570</u>
TOTAL EQUITY		<u>116,086</u>	<u>131,770</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 702 A&B, 7/F, Harbour Crystal Centre, 100 Granville 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, mobile payment technical support services and digital assets business.

The trading of shares of the Company was suspended as from 4 October 2021 and resumed trading on 26 September 2022.

The consolidated financial statements have been prepared on the historical cost basis.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company has applied the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

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:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

³ Effective for annual period beginning on or after 1 January 2023

The directors of the Company anticipate that the application of these new and amendments to HKFRSs, which are not yet effective, will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

The Group's reportable segments 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
Digital assets business	—	cryptocurrency related business

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.

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

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Internet advertising agency services	39,649	209,261
Digital assets business	7,125	—
	<u>46,774</u>	<u>209,261</u>

Disaggregation of revenue from contracts with customers by timing of recognition for the year is as follows:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Over time	39,649	209,261
Point in time	7,125	–
	<u>46,774</u>	<u>209,261</u>

4. OTHER INCOME, GAINS AND LOSSES, NET

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Gain on deemed disposal of an associate	–	211
Gain on disposal of an intangible asset	–	2,444
Gain on termination and revision of acquisition of intangible assets	–	3,741
Gain on termination of lease contracts	–	1,366
Loss on disposal of property, plant and equipment	(7,799)	–
Loss on written off of property, plant and equipment	–	(7,665)
Interest income on bank deposits	1	5
Interest income on loans receivable	496	1,834
Exchange gain/(losses), net	7	(116)
Gain on disposal of available-for-sale assets	9,592	–
Sundry income	14	1,067
	<u>2,311</u>	<u>2,887</u>

5. FINANCE COSTS

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Interest on bank and other borrowings	107	858
Interest on lease liabilities	7	270
	<u>114</u>	<u>1,128</u>

6. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Current tax:		
Hong Kong Profit Tax	–	267
	<u>–</u>	<u>267</u>

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

Under the two-tiered Hong Kong profits tax regime, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year assessment 2018/2019. Profits above HK\$2 million will continue to be subject to the tax rate of 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5%.

PRC enterprise income tax (“EIT”) has been provided at a rate of 25% (2020: 25%). No provision for PRC EIT has been made in the consolidated financial statements as the Group has no profit for both years presented that are assessable to PRC EIT.

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 2021 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. The Company’s subsidiaries, 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 2021 upon approval by the State Taxation Bureau of the Xinjiang Uygur Autonomous Region in 2017.

Taxation for other jurisdictions are calculated at the applicable rates prevailing where the group entities operate.

7. 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 (2021: Nil).

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	2022 <i>HK\$’000</i> (Unaudited)	2021 <i>HK\$’000</i> (Audited)
Loss for the purpose of calculating basic loss per share		
Loss for the year attributable to owners of the Company	<u>(36,150)</u>	<u>(44,130)</u>
	2022 <i>’000</i> (Unaudited)	2021 <i>’000</i> (Audited)
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>482,900</u>	<u>420,000</u>

No diluted loss per share for both of the years ended 30 June 2022 and 30 June 2021 were presented as there were no potential ordinary shares in issue for both of the years.

9. TRADE RECEIVABLES

	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Trade receivables	27,815	43,888
Less: Allowances	(23,032)	(15,069)
	4,783	28,819

The Group's trading terms with other customers are mainly on credit. The Group generally allows an average credit period from not more than 60 days for its internet advertising agency business customers. The Group does not hold any collateral over these balances.

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

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

	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Within 30 days	–	7,038
31 to 60 days	–	7,271
61 to 90 days	–	7,583
91 to 180 days	–	6,927
181 to 365 days	4,783	–
	4,783	28,819

As at 30 June 2022, allowances were made for estimated irrecoverable trade receivables of approximately HK\$23,032,000 (2021: HK\$15,069,000).

10. TRADE PAYABLES

	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Trade payables	–	7,907

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

	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> <i>(Audited)</i>
Within 30 days	–	–
31 to 60 days	–	–
61 to 90 days	–	–
Over 90 days	–	7,907
	<u>–</u>	<u>7,907</u>
	<u>–</u>	<u>7,907</u>

11. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 July 2020, 30 June 2021 (Audited), 1 July 2021 and 30 June 2022 (Unaudited)	<u>4,000,000</u>	<u>40,000</u>
Issued and fully paid:		
At 30 June 2021 and 1 July 2021 (Audited)	420,000	4,200
Issue of ordinary shares under share subscription	<u>68,000</u>	<u>680</u>
As at 30 June 2022 (Unaudited)	<u>488,000</u>	<u>4,880</u>

12. CAPITAL COMMITMENT

	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> <i>(Audited)</i>
Acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>–</u>	<u>13,931</u>

13. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there is no significant event that took place subsequent to 30 June 2022.

14. USE OF PROCEEDS

On 28 April 2021, the Company entered into two subscription agreements (the “Subscription Agreements”) with two subscribers (the “Subscribers”) pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 84,000,000 shares of the Company at the subscription price of HK\$0.25 per share. On 1 July 2021, the Company and Mr. Gan Xiaohua (the “Subscriber B”) entered into a second supplemental agreement pursuant to which the parties agreed, amongst other things, to reduce the number of subscription shares from 32,000,000 shares to 16,000,000 shares. The Subscription Agreements have been completed on 28 July 2021 and 68,000,000 shares have been allotted and issued to the Subscribers.

Each of the gross proceeds and net proceeds from the issue of the shares is estimated to be HK\$17,000,000 and approximately HK\$16,955,000 respectively. The Company intends to use the net proceeds for general working capital of the Group and for the future development of the Group’s business. The net price of each share is approximately HK\$0.25.

The table below gives out the details of the use of proceeds:

	Allocation of advance payments received from share subscription as at 30 June 2022 HK\$’000	Allocation of Net Proceeds HK\$’000	Amount Utilized as at 30 June 2022 HK\$’000	Remaining Balance of Net Proceeds as at 30 June 2022 HK\$’000
Issue of 68,000,000 shares on 28 July 2021				
Future business development, including but not limited to data centre and other potential business development	10,000	10,000	10,000	0
Repayment of borrowing	6,000	6,000	6,000	0
General working capital of the Group	955	955	955	0

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 30 June 2022 (2021: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

The Group is an integrated group, which is principally engaged in internet advertising agency services and digital assets business during the year.

Business Review

The Group and its subsidiaries are principally engaged in the provision of internet advertising agency services, including the provision of game promotion, big data support, integrated marketing solutions, local language support and other services for its customers. During the second half of 2021, the Group has relied on its team with expertise in the field of digital assets business to expand its overseas cryptocurrency business.

Internet Advertising Agency Services

Million Stars Internet Media Limited (“MSIM”), a wholly-owned subsidiary of the Group, develops the overseas internet advertising market. Through global mainstream online platforms, including Facebook and Google, MSIM provides customers with access to global advertising, including the provision of game promotion, big data support, integrated marketing solutions, local language support and account stabilisation services for its customers. Seizing the opportunity of the rapid development of the Internet, the Group will continue to adjust the investments in the internet advertising business and seek to tap on revenue streams of the Internet.

Digital Assets Business

With professional management and team in the field of digital assets business that possess specialized knowledge in the structure, quality and operation of cryptocurrency mining equipment, the Company is fed with the supply and demand information in the market. The management of the Company closely monitors the movement and volatility of the prices of digital currencies to formulate reasonable and competitive pricings with reference to the conditions of the competitors.

Since the end of 2021, a new round of COVID-19 pandemic has continued to spread in Mainland China. In response to this, the Chinese government has implemented precise prevention and control measures, which has certain effects on the Group's business activities in the PRC. In particular, Shanghai Municipality, where the headquarter of the Group is located, locked down in March to June 2022 due to COVID-19 pandemic, leading to the suspension of intra-city transportation and inter-city logistics, which greatly affected business operations.

During the period, total operating income of the Group of approximately HK\$46.8 million was achieved, in which revenue from internet advertising agency services amounted to HK\$39.7 million, and revenue from the digital assets business under the mining business and custody business was HK\$7.1 million during the reporting period.

Outlook

Internet advertising agency services business undertaken by the Group are still progressing normally. The Group and its wholly-owned subsidiary will continue to develop its overseas internet advertising market, and with the opportunities emerged from the new rural areas, new retail and new consumption in the Mainland China that facilitate the digital empowerment to the real industries, the Group plans to expand its advertisement services into the following new segments, including offline mobile devices advertising, digitalized smart terminals advertising, offline on-screen advertising, O2O platforms advertising and in-app advertising, through which more suppliers and government authorities could be served with our advertising services and more target audiences could be reached, and hence, the business of agricultural products and other consumer goods could be extended.

In the second half of 2021, the Group gradually expanded its scope of business to digital assets business from its single internet advertising agency services. As there will be enormous room of development and promising prospects for the digital assets business in the future, the Group will leverage the existing competitive edges and rely on the professional technology, operation and marketing teams to continuously increase its investment on the construction of global supercomputing centres so as to build an ecosystem based on computing power, which provides global customers with professional hosting of supercomputing servers, and the rental and sales of cloud computing and cloud storage services. In the future, apart from continuous investment on cryptocurrency servers purchasing, the Group will endeavor to expand the global trade and development of supercomputing servers.

The Group will continue to proactively seek for potential business opportunities, and explore new customers, businesses and sources of revenue to deliver better returns to the shareholders.

Financial Review

Revenue

The Group's revenue principally represented income derived from the provision of internet advertising agency services and digital assets business.

The Group has recorded a revenue of approximately HK\$46.8 million for the year ended 30 June 2022, representing a decrease of approximately 77.7% as compared with about HK\$209.3 million for the year ended 30 June 2021.

Cost of Sales and Gross Profit

Cost of sales mainly represents costs incurred for provision of internet advertising agency services and digital assets business during the year.

The Group's cost of sales amounted to approximately HK\$45 million for the year ended 30 June 2022. Cost of sales decreased by approximately 76.8% as compared with the cost of sales for the year ended 30 June 2021.

Gross profit margin of approximately 3.9% for the year ended 30 June 2022 decreased by 3.6% comparing to the gross profit margin of approximately 7.5% for the year ended 30 June 2021, mainly due to the decreased advertisement budgets from the clients of internet advertisement business, which resulted in lowering the fees by the Company while providing quality services.

Other Income, Gains and Losses, net

Other income, gains and losses, net, mainly represents sundry income or (losses) incidental to our business, principally including interest income, gain on disposal of available-for-sale asset and loss on disposal of certain fixed assets.

Other income, gains and losses, net, amounted to net gains of approximately HK\$2.3 million for the year ended 30 June 2022 compared to net gains of approximately HK\$2.9 million for the year ended 30 June 2021.

Selling and Distribution Expenses

Selling and distribution expenses comprise mainly payroll expenses. The selling and distribution expenses for the year ended 30 June 2022 and 2021 were approximately HK\$0.4 million and HK\$0.6 million respectively. The decline in selling and distribution expenses was mainly due to the tight cost control exercised for internet advertising agency business and decrease in the number of practising staff of internet advertising agency business.

Administrative Expenses

Administrative expenses comprised mainly payroll expenses, rent, depreciation, operating expenses and other office administrative expenses. Administrative expenses were approximately HK\$24.1 million for the year ended 30 June 2022, while amounted to approximately HK\$27.1 million for the year ended 30 June 2021, representing an decrease of approximately 11%.

The higher administrative expenses for the year ended 30 June 2022 were recorded mainly due to the decrease in staff costs and the decrease depreciation of property, plant and equipment.

Finance Costs

Finance costs decreased to HK\$0.1 million in FY2022 from HK\$1.1 million in FY2021, primarily due to decrease in interest on bank and other borrowings and interest on lease liabilities.

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 are 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 five years exemption from enterprise income tax.

Loss for the year

The Group recorded a loss for the year of approximately HK\$36 million and HK\$44.1 million for the year ended 30 June 2022 and 2021 respectively.

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 2022, included in net current assets were cash and bank balances (including pledged bank deposits) totalling approximately HK\$19.9 million (30 June 2021: HK\$1.4 million), the increase in which was mainly attributable to the extension of payment terms on the settlement with suppliers.

The Group's outstanding borrowings as at 30 June 2022 amounting to HK\$9.3 million (30 June 2021: HK\$10.2 million) were principally denominated in HKD and carried at fixed interest rates.

The Group monitored capital using gearing ratio, which is total debt of the Group divided by total equity of the Group.

Total debt to equity ratio of the Group expressed as a percentage of interest bearing borrowings over the total equity was approximately 8% as at 30 June 2022 (30 June 2021: 7.7%).

As at 30 June 2021, there was no seasonality as to the Group's borrowing requirements and no committed borrowing facilities.

Financial Management Policies

The Group in its ordinary course of business is exposed to market risks such as currency risk and interest rate risk. The Group's risk management policy 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 is 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 were 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 periods.

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

Charge Over Assets of the Group

As at 30 June 2022, there is no pledged bank deposits of the Group to support the Group's banking facilities (30 June 2021: Nil).

Capital Commitments

As at 30 June 2022, the Group did not have any significant capital commitment (30 June 2021: capital commitment of the Group relating to the acquisition of property, plant and equipment amounting to HK\$13.9 million).

Contingent Liabilities

As at 30 June 2022, the Group did not have any significant contingent liability (30 June 2021: 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

During the year ended 30 June 2022, the Group did not have any material acquisition or disposal in FY2022.

Events after the reporting period

Save as disclosed in this announcement, there is no significant event that took place subsequent to 30 June 2022.

Employees and Remuneration Policy

As at 30 June 2022, the Group had a workforce of 28 employees (2021: 48). Total staff costs for FY 2022 were approximately HK\$5.5 million, as compared to total staff costs of HK\$7.3 million in FY 2021.

The emolument policy of the employees of the Group is formulated by the Remuneration Committee (as defined below) with reference to the duties, responsibilities, experience and competence of individual employees. The same policy also applies to the Directors. In addition to salaries and discretionary bonuses relating to the performance of the Group, employee benefits included pension scheme contributions. The emoluments of the Directors are reviewed annually by the remuneration committee of the Company ("Remuneration Committee").

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

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

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

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

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

During the FY 2022, 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 2022, 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 2022.

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 2022.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions on Corporate Governance Code and Corporate Governance Report in force during the year ended 30 June 2022 as set out in Appendix 15 (version up to 31 December 2021) to the GEM Listing Rules.

The requirements under the new Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules (the “New CG Code”) which came into effect on 1 January 2022 shall apply to the Company’s corporate governance report for the financial year commencing on 1 January 2022.

During the year ended 30 June 2022, the Group was in compliance with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules, except the deviations disclosed below:

	Code Provision	Deviation	Considered Reason for Deviation
A.2.1 (which was rearranged to code provision C.2.1 of the New CG Code)	The roles of chairman and chief executive officer should be separated and should not be performed by the same individual.	Mr. Zhu Yongjun, the Chairman and Executive Director, has been appointed as Chief Executive Officer of the Company (the “CEO”) with effect from 11 November 2020.	The Board believes that the present arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company’s objectives efficiently and effectively in response to the changing environment. The Company will periodically review the Board’s structure in light of the evolving needs of the Group and consider segregation of the two roles if and when appropriate.
A.2.7 (which was rearranged to code provision C.2.7 of the New CG Code)	The chairman should at least annually hold meetings with the independent non-executive Directors without the presence of other directors.	Due to the outbreak of Covid-19, the chairman fail to hold physical meeting at least annually with the independent non-executive Directors without the presence of other directors.	The independent non-executive directors were able to communicate their views individually to the chairman by different electronic means.
C.1.2 (which was rearranged to code provision D.1.2 of the New CG Code)	Management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company’s performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules.	The management could not provide the Directors with updated financial information of the Company each month due to the lockdown of certain cities in China during the outbreak of Covid-19.	The Board members of the Company were still informed by the management of the Company by email, by WeChat or by phone on the updated information of the Company’s performance and future business plan from time to time.

	Code Provision	Deviation	Considered Reason for Deviation
C.2.1 (which was rearranged to code provision D.2.1 of the New CG Code)	The Board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.	During the period, the Company failed to have effective risk management and internal control systems within the Group, i.e. deficiencies in internal control over compliance matters.	<p>The Company had engaged external consultants to review its certain existing internal control measures on the areas agreed by the Board of Directors and provide suggestions to improve the internal control systems and risk management systems of the Group.</p> <p>The management has taken steps to set up and improve the risk management and internal control systems as recommended by the external consultant.</p>

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. Jiang Ying and Ms. Zhu Minli, all of them being independent non-executive Directors. The Audit Committee has reviewed with the management this announcement, the accounting principles and practices adopted by the Group, financial reporting matters including a review of the unaudited consolidated annual results for the year ended 30 June 2022 prior to recommending them to the Board for approval.

REVIEW OF UNAUDITED ANNUAL RESULTS

Since the end of 2021, a new wave of COVID-19 outbreak has continued to spread in Mainland China. The stringent pandemic prevention and control measures implemented by the Chinese government have had a material adverse impact on the Group's business activities and audit reviews in the PRC. Personnel of the Group's subsidiaries in different regions in the PRC have been restricted from travelling from time to time, which became a hindrance to the Group's business development and auditing work. It was not until July that the financial team of the Company gradually and orderly resumed the auditing work with CCTH. 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 CCTH 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 auditor was unable to 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 auditor has not completed the review of the impairment assessment on certain assets of the Group, including trade and other receivables and property, plant and equipment. 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 2022 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 2022 as agreed by the Company's auditor 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 30 October 2022.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed by our auditor, 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.

PUBLICATION OF ANNUAL REPORT

The 2022 audited annual report containing all the information required by the GEM Listing Rules is expected to be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company on or before 30 November 2022.

By Order of the Board
Million Stars Holdings Limited
Zhu Yongjun
Chairman and Chief Executive Officer

Hong Kong, 30 September 2022

As at the date hereof, the Board comprises Mr. Zhu Yongjun, Mr. Gan Xiaohua and Ms. Tian Yuan as executive Directors; and Mr. Chen Ce, Ms. Jiang Ying and Ms. Zhu Minli as independent non-executive Directors.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Listed 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*