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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 2021**

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 Group for the year ended 30 June 2021, together with the comparative figures for the year ended 30 June 2020 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 2021

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Revenue	3	209,261	434,314
Cost of services		(193,473)	(425,780)
Gross profit		15,788	8,534
Other income, gains and losses, net	4	2,887	584
Selling and distribution expenses		(578)	(2,150)
Administrative expenses		(27,108)	(33,888)
(Impairment loss)/reversal of impairment losses recognised on trade and other receivables, net		(21,432)	27,947
Impairment loss recognised on property, plant and equipment		(270)	(5)
Impairment loss recognised on intangible assets		–	(16,129)
Impairment loss recognised on goodwill		(2,406)	(149)
Impairment loss recognised on interest in an associate		–	(23,856)
Reversal of impairment loss/(impairment loss) recognised on amount due from an associate		1,415	(1,415)
Share of results of associates		(11,031)	937
Finance costs	5	(1,128)	(4,449)

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Loss before tax		(43,863)	(44,039)
Income tax expense	6	<u>(267)</u>	<u>–</u>
Loss for the year attributable to owners of the Company		<u>(44,130)</u>	<u>(44,039)</u>
Other comprehensive income/(expense):			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translating foreign operations		7,436	(5,137)
Share of exchange differences of associates		<u>3,630</u>	<u>(855)</u>
Other comprehensive income/(expense) for the year, net of tax		<u>11,066</u>	<u>(5,992)</u>
Total comprehensive expense for the year attributable to owners of the Company		<u><u>(33,064)</u></u>	<u><u>(50,031)</u></u>
		2021 HK cents	2020 <i>HK cents</i>
Loss per share	8		
Basic		<u><u>(10.51)</u></u>	<u><u>(10.71)</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		18,400	2,285
Right-of-use assets		445	8,147
Intangible assets		–	32,993
Interests in associates		–	39,550
Goodwill		–	2,336
Prepayment for acquisition of property, plant and equipment	<i>13(c)</i>	29,607	–
		48,452	85,311
Current assets			
Trade receivables	<i>9</i>	28,819	38,069
Deposits, prepayments and other receivables		66,724	84,371
Amount due from an associate		–	4,939
Pledged bank deposits		–	5,857
Bank and cash balances		1,446	49,895
		96,989	183,131
Assets classified as held-for-sale		52,861	–
		149,850	183,131
Current liabilities			
Trade payables	<i>10</i>	7,907	26,119
Accruals and other payables		14,031	32,180
Advance payments received from share subscription	<i>13(a) & (b)</i>	6,300	–
Amount due to a shareholder		354	352
Amount due to a director		654	–
Borrowings		10,162	30,792
Lease liabilities		454	5,128
Current tax liabilities		4,258	5,505
		44,120	100,076
Liabilities associated with assets classified as held-for-sale		22,412	–
		66,532	100,076
Net current assets		83,318	83,055
Total assets less current liabilities		131,770	168,366

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		—	3,532
		—	3,532
NET ASSETS		131,770	164,834
Capital and reserves			
Share capital	<i>11</i>	4,200	4,200
Reserves		127,570	160,634
TOTAL EQUITY		131,770	164,834

Notes:

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

The trading of shares of the Company has been suspended as from 4 October 2021 and remained suspended as at 15 August 2022, the date of approval of these consolidated financial statements.

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

In the current year, the Group has applied 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 July 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Impact of COVID-19 on Related Rent Concessions

The application of the amendments to HKFRSs in the current year 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.

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 39, HKFRS 4, Interest Rate Benchmark Reform — Phase 2 ¹ HKFRS 7, HKFRS 9 and HKFRS 16	
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ²
Amendments to HKFRS	Annual improvement to HKFRSs 2018–2020 cycle ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous contracts — Cost of Fulfilling a Contract ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ³
HK Interpretation 5 (2020)	Presentation of Financial Statement — Classified by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁵
HKFRS 17	Insurance Contracts ⁵
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁵
Amendments to HKAS 8	Definition of Accounting Estimates ⁵
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁶

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after 1 April 2021.

³ Effective for annual periods beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 April 2022.

⁵ Effective for annual periods beginning on or after 1 January 2023.

⁶ Effective for annual periods beginning on or after a date to be determined.

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Internet advertising agency services	<u>209,261</u>	<u>434,314</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	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Primary geographical markets		
— The PRC	—	331,222
— Hong Kong	<u>209,261</u>	<u>103,092</u>
Segment revenue	<u>209,261</u>	<u>434,314</u>
Inter-segment revenue	—	—
Revenue from external customers	<u>209,261</u>	<u>434,314</u>
Timing of revenue recognition		
Services transferred over time	<u>209,261</u>	<u>434,314</u>

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.

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

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

Segment revenue and results

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

For the year ended 30 June 2021	Internet advertising agency services <i>HK\$'000</i>	Mobile payment technical support services <i>HK\$'000</i>	Digital assets business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	209,261	–	–	209,261
Cost of services	<u>(193,473)</u>	<u>–</u>	<u>–</u>	<u>(193,473)</u>
Gross profit	15,788	–	–	15,788
Other income, gains and losses, net	5,211	–	(6,691)	(1,480)
Selling and distribution expenses	(578)	–	–	(578)
Administrative expenses	(15,590)	–	(1,518)	(17,108)
Impairment loss recognised on goodwill	(2,406)	–	–	(2,406)
Impairment loss recognised on property, plant and equipment	(270)	–	–	(270)
Reversal of impairment loss recognised on amount due from an associate	1,415	–	–	1,415
Share of results of associates	(11,031)	–	–	(11,031)
Impairment losses recognised on trade and other receivables, net	<u>(21,432)</u>	<u>–</u>	<u>–</u>	<u>(21,432)</u>
Segment loss	<u>(28,893)</u>	<u>–</u>	<u>(8,209)</u>	<u>(37,102)</u>
Other income, gains and losses, net				4,367
Unallocated corporate expenses				<u>(11,128)</u>
Loss before tax				<u>(43,863)</u>

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

Segment assets and liabilities

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

	Internet advertising agency services HK\$'000	Mobile payment technical support services HK\$'000	Digital assets business HK\$'000	Total HK\$'000
At 30 June 2021				
Segment assets	<u>120,853</u>	<u>–</u>	<u>47,401</u>	<u>168,254</u>
Segment liabilities	<u>54,920</u>	<u>1,585</u>	<u>–</u>	<u>56,505</u>
At 30 June 2020				
Segment assets	<u>235,484</u>	<u>27,893</u>	<u>–</u>	<u>263,377</u>
Segment liabilities	<u>89,527</u>	<u>1,462</u>	<u>–</u>	<u>90,989</u>

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

	2021 HK\$'000	2020 HK\$'000
Revenue		
Total revenue of reportable segments	209,261	434,314
Elimination of inter-segment revenue	<u>–</u>	<u>–</u>
Consolidated revenue	<u>209,261</u>	<u>434,314</u>

Reconciliations of segment assets and liabilities:

	2021 HK\$'000	2020 HK\$'000
Assets		
Total assets of reportable segments	168,254	263,377
Unallocated corporate assets	<u>30,048</u>	<u>5,065</u>
Consolidated total assets	<u>198,302</u>	<u>268,442</u>
Liabilities		
Total liabilities of reportable segments	56,505	90,989
Unallocated corporate liabilities	<u>10,027</u>	<u>12,619</u>
Consolidated total liabilities	<u>66,532</u>	<u>103,608</u>

4. OTHER INCOME, GAINS AND LOSSES, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gain on deemed disposal of an associate	211	–
Gain on disposal of an intangible asset	2,444	–
Gain on termination of acquisition of intangible assets	3,741	–
Gain/(loss) on termination of lease contracts	1,366	(1,967)
Loss on disposal of property, plant and equipment	–	(703)
Written off of property, plant and equipment	(7,665)	–
Interest income on bank deposits	5	54
Interest income on loans receivable	1,834	435
Exchange losses, net	(116)	(83)
Additional input value-added tax granted	–	1,702
Sundry income	1,067	1,146
	<u>2,887</u>	<u>584</u>

5. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank and other borrowings	858	3,313
Interest on lease liabilities	270	1,136
	<u>1,128</u>	<u>4,449</u>

6. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
Hong Kong Profit Tax	<u>267</u>	<u>–</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 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%. No provision has been made for Hong Kong Profits Tax as the Group has no assessable profits for the year ended 30 June 2020.

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.

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 (2020: Nil).

8. LOSS PER SHARE

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

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Loss for the purpose of calculating basic loss per share		
Loss for the year attributable to owners of the Company	<u>(44,130)</u>	<u>(44,039)</u>
	2021	2020
	’000	’000
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>420,000</u>	<u>411,202</u>

No diluted loss per share for both of the years ended 30 June 2021 and 30 June 2020 were presented as there were no potential ordinary shares in issue for both of the years.

9. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	43,888	48,577
Less: Allowances	<u>(15,069)</u>	<u>(10,508)</u>
	<u>28,819</u>	<u>38,069</u>

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 and 30 days for its mobile payment technical support services business customers. The Group does not hold any collateral over these balances.

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	7,038	17,197
31 to 60 days	7,271	691
61 to 90 days	7,583	4,979
91 to 180 days	6,927	15,004
181 to 365 days	<u>–</u>	<u>198</u>
	<u>28,819</u>	<u>38,069</u>

As at 30 June 2021, allowances were made for estimated irrecoverable trade receivables of approximately HK\$15,069,000 (2020: HK\$10,508,000).

10. TRADE PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	<u>7,907</u>	<u>26,119</u>

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

	2021 HK\$'000	2020 <i>HK\$'000</i>
Within 30 days	–	8,876
31 to 60 days	–	1,297
61 to 90 days	–	393
Over 90 days	7,907	15,553
	7,907	26,119

11. SHARE CAPITAL

	Number of shares <i>'000</i>	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 July 2019, 30 June 2020, 1 July 2020 and 30 June 2021	4,000,000	40,000
Issued and fully paid:		
At 1 July 2019	400,000	4,000
Issue of ordinary shares under share subscription	20,000	200
As at 30 June 2020, 1 July 2020 and 30 June 2021	420,000	4,200

On 22 November 2019, the Company entered into the subscription agreement (the “Subscription Agreement”) with Zhong Baomei, an independent third party (the “Subscriber”) pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 20,000,000 subscription shares at the subscription price of HK\$0.25 per subscription share in accordance with the terms and conditions as set out in the Subscription Agreement (the “Subscription”).

The Subscription was completed on 9 December 2019. Details of the Subscription are set out in the Company’s announcements dated 22 November 2019 and 9 December 2019.

These new shares rank pari passu with other shares in issue in all respects.

There were no movements of share capital during the year ended 30 June 2021.

12. CAPITAL COMMITMENT

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>13,931</u>	<u>–</u>

13. EVENTS AFTER THE REPORTING PERIOD

Other than those disclosed elsewhere in these consolidated financial statements, the Group had the following significant events after the reporting period:

- (a) On 28 April 2021, the Company entered into the subscription agreement (the “Subscription Agreement A”) with Jia Heng Tai Feng Co., Limited, an independent third party (the “Subscriber A”), pursuant to which the Subscriber A has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 52,000,000 subscription shares at the subscription price of HK\$0.25 per subscription share in accordance with the terms and conditions as set out in the Subscription Agreement A (the “Subscription A”). Up to the end of the reporting period, proceeds from the subscription A of HK\$2,300,000 was received by the Group.

The Subscription A was completed on 28 July 2021. Details of the Subscription A are set out in the Company’s announcements dated 28 April 2021 and 28 July 2021.

- (b) On 28 April 2021, the Company entered into the subscription agreement (the “Subscription Agreement B”) with Mr. Gan Xiaohua, an independent third party (the “Subscriber B”), pursuant to which the Subscriber B has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 32,000,000 subscription shares at the subscription price of HK\$0.25 per subscription share in accordance with the terms and conditions as set out in the Subscription Agreement B (the “Initial Subscription B”). Up to the end of the reporting period, proceeds from the Initial Subscription B of HK\$4,000,000 was received by the Group. On 1 July 2021, the Company and the Subscriber B entered into a second supplemental agreement (the “Second Supplemental Agreement”), pursuant to which the parties agreed to reduce the number of subscription shares from 32,000,000 shares to 16,000,000 shares (the “Revised Subscription B”).

The Revised Subscription B was completed on 28 July 2021. Details of the Initial Subscription B and the Revised Subscription B are set out in the Company’s announcements dated 28 April 2021 and 28 July 2021 respectively.

- (c) Up to the date of approval of these consolidated financial statements, the Group has further acquired machinery and equipment in connection with the Group’s digital assets business for an aggregate of approximately HK\$110,646,000, of which HK\$29,607,000 was paid by the Group as at the end of the reporting period and included in prepayments for acquisition of property, plant and equipment presented in consolidated statement of financial position.

Up to the date of approval of these consolidated financial statements, the Group has disposed of and returned certain machinery and equipment in connection with its digital assets business for an aggregate consideration of approximately HK\$91,413,000.

EXTRACT FROM INDEPENDENT AUDITORS' REPORT

CCTH CPA Limited, the independent auditor of the Company, expressed a disclaimer opinion on the Group's consolidated financial statements as of 30 June 2021. The "Basis for Disclaimer of Opinion" are extracted from independent auditor's report for the year ended 30 June 2021 as follows:

BASIS FOR DISCLAIMER OF OPINION

Opening balances and corresponding figures

The consolidated financial statements of the Company for the prior year ended 30 June 2020 (the "2020 Consolidated Financial Statements"), which form the basis for the corresponding information presented in the current year's financial statements, were disclaimed by the predecessor auditor in respect of the following matters:

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

The predecessor auditor was unable to obtain sufficient appropriate audit evidence to ascertain: (a) the carrying amount of the Group's intangible assets amounted to approximately HK\$32,993,000 as at 30 June 2020; and (b) the impairment loss recognised and amortisation charge of intangible assets for the prior year ended 30 June 2020 amounted to approximately HK\$16,129,000 and HK\$3,028,000 respectively.

(2) Purchase price allocation, share of result, share of net assets and impairment assessment relating to the Group's interest in Shenzhen Yidao Network Co., Ltd ("Yidao Network"), an associate of the Company

The predecessor auditor was unable to perform appropriate audit procedures to ascertain the carrying amounts of the Group's interest in Yidao Network amounted to approximately HK\$55,720,000 and HK\$32,162,000 as at its date of acquisition and at 30 June 2020, and the Group's share of results, exchange deficit and also the impairment loss recognised relating to Yidao Network for the prior year ended 30 June 2020 amounted to approximately HK\$1,223,000, HK\$925,000 and HK\$23,856,000 respectively.

Any adjustments found to be necessary to be made to the aforementioned intangible assets and interest in Yidao Network might have significant effects on the consolidated statement of financial position of the Group as at 30 June 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended and on the related disclosures in the 2020 Consolidated Financial Statements.

Current year's development regarding the prior year's uncertainties

During the year ended 30 June 2021,

- (a) the Group entered into (i) supplementary agreements with a third party for the termination and revision of acquisition of certain intangible assets in prior year for an aggregate price of HK\$7,151,000; and (ii) sale agreements with third parties for the disposals of its remaining intangible assets for a total consideration of HK\$31,554,000. Certain disposals were completed during the year which gave rise to a gain on disposal amounting to HK\$2,444,000 recognised in profit and loss of the Group. The disposals of the remaining intangible assets were completed subsequent to the end of the reporting period and such intangible assets with the carrying amount of HK\$20,501,000 at dates of sale agreements were reclassified to and included in "Assets classified as held-for-sale".
- (b) the Group entered into a sale agreement with a third party for the disposal of the Group's entire interest in Yidao Network, an associate of the Company, for a total consideration of HK\$32,962,000. The disposal was completed subsequent to the end of the reporting period and the interest in Yidao Network with the carrying amount of HK\$32,360,000 at the date of the sale agreement was reclassified to and included in "Assets classified as held for sale".

Details regarding the intangible assets and interest in Yidao Network are set out in notes to the consolidated financial statements respectively.

In view of the above, we were unable to determine:

- (i) whether the opening carrying amounts of the intangible assets and interest in Yidao Network at 1 July 2020 of approximately HK\$32,993,000 and HK\$32,162,000 respectively are appropriately brought forward from those balances as at 30 June 2020. Any adjustments to be made on the opening carrying amounts of intangible assets and interest in Yidao Network and exchange reserve at 1 July 2020 may have significant impact on the opening balance of retained profits and exchange reserve of the Group as at that date.
- (ii) whether any adjustments are required, should there be any adjustments necessary to be made on the intangible assets as stated in paragraph (i) above, to be made to the gain on disposal of intangible assets amounted to approximately HK\$2,444,000; gain on termination and revision of acquisition of intangible assets amounted to approximately HK\$3,741,000; impairment losses on intangible assets recognised or reversed, if any, as to be charged or credited to profit or loss of the Group for the current year; amortization charge of intangible assets amounted to approximately HK\$5,494,000, as charged to profit or loss in respect of the current year; and the related disclosures as set out in the consolidated financial statements.

- (iii) whether any adjustments are required, should there be any adjustments necessary to be made on the interest on Yidao Network as stated in paragraph (i) above, to be made to impairment loss on interest in Yidao Network recognised or reversed, if any, as to be charged or credited to in profit or loss of the Group for the current year; and exchange surplus relating to the Group's interest in Yidao Network amounted to approximately HK\$3,074,000, as recognized in exchange reserve of the Group in respect of the current year; and the related disclosures as set out in the consolidated financial statements.
- (iv) whether the 2020 Financial Statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance and its consolidated cash flows for the year ended 30 June 2020. Accordingly, we are also unable to form an opinion as to whether the comparative information set out in the consolidated financial statements for the year is properly presented and we also disclaim our opinion on the current year's consolidated financial statements because of the possible effect of this matter on the comparability of the current year's figures and the corresponding comparative figures set out in the consolidated financial statements.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 30 June 2021 (2020: 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 customer segments in mainland China. Affected by the macroeconomic environment deterioration of China in 2019, slowdown of games copyright issuance, fierce competition of internet advertising industry, and high industry concentration, profit margin of small and medium-sized independent advertising operators has been squeezed. In order to expand business scale, the Group has adopted a series of marketing and promotion measures including increase of rebates to attract and uplift the customers base.

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.

During the year, operating income of the Group of approximately HK\$209.3 million was achieved.

Digital assets business

At the end of the Reporting Period, the Group moderately increased the purchase of cryptocurrency mining machines. The Group has professional management and internal teams in the field of cryptocurrency business. The Company boasts professional operations and expertise in the construction, quality and operation of mining machines, holds market supply and demand information, and possesses professional capability in the field of cryptocurrency business.

Outlook

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 new customers, businesses and revenue streams. Going forward, the Group plans to develop overseas cryptocurrency business to deliver better returns to 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

Revenue

The Group’s revenue principally represented income derived from the provision of internet advertising agency services.

The Group has recorded a revenue of about HK\$209.3 million for the year ended 30 June 2021, representing a decrease of about 51.8% as compared with about HK\$434.3 million for the year ended 30 June 2020.

Cost of Sales and Gross Profit

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

The Group's cost of sales amounted to about HK\$193.5 million for the year ended 30 June 2021. Cost of sales decreased by about 54.6% as compared with the cost of sales for the year ended 30 June 2020.

Gross profit margin of about 7.5% for the year ended 30 June 2021 was higher comparing to the gross profit margin of about 2.0% for the year ended 30 June 2020, mainly due to the Group proactively adjusts its business through strengthening the selection of customers to ensure that quality customers are best served.

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 and gain on disposal and gain on termination of acquisition of intangible assets.

Other income, gains and losses, net, amounted to net gains of approximately HK\$2.9 million for the year ended 30 June 2021 compared to net gains of approximately HK\$0.6 million for the year ended 30 June 2020.

Selling and Distribution Expenses

Selling and distribution expenses comprise mainly payroll expenses. The selling and distribution expenses for the year ended 30 June 2020 and 2021 were approximately HK\$2.2 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.

Administrative Expenses

Administrative expenses comprised mainly payroll expenses, rent and rates and other office administrative expenses. Administrative expenses decreased from approximately HK\$33.9 million for the year ended 30 June 2020 to approximately HK\$27.1 million for the year ended 30 June 2021, representing a decrease of approximately 20%.

The lower administrative expenses for the year ended 30 June 2021 were recorded mainly due to the decrease in salaries of approximately HK\$6 million and decrease in depreciation of right-of-use assets of approximately HK\$4 million for the year ended 30 June 2021.

Finance Costs

Finance costs decreased from HK\$4.4 million in FY 2020, to HK\$1.1 million in FY 2021, primarily due to the termination of lease contract and fully repayment of bank 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 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\$44.1 million and HK\$44.0 million for the year ended 30 June 2021 and 2020 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 2021, included in net current assets were cash and bank balances (including pledged bank deposits) totalling approximately HK\$1.4 million (30 June 2020: HK\$49.9 million), the decrease in which was mainly attributable to the repayment of borrowings, purchases of property, plant and equipment and decrease in trade and other payables.

The Group's outstanding borrowings as at 30 June 2021 amounting to HK\$10.2 million (30 June 2020: HK\$30.8 million) were principally denominated in HKD and carried at fixed interest rates (30 June 2020: USD, variable 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 7.7% as at 30 June 2021 (30 June 2020: 18.7%).

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 2021, there is no pledged bank deposits of the Group to support the Group's banking facilities (30 June 2020: HK\$5.9 million).

Capital Commitments

As at 30 June 2021, the Group has capital commitment amounting to HK\$13.9 million, relating to the acquisition of property, plant and equipment (30 June 2020: Nil).

Contingent Liabilities

As at 30 June 2021, the Group did not have any significant contingent liability (30 June 2020: 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.

OTHER INFORMATION ON THE AUDIT DISCLAIMER

AUDIT DISCLAIMER

CCTH CPA Limited ("CCTH"), the independent auditor of the Company, expressed a disclaimer of opinion on the Group's consolidated financial statements as of 30 June 2021. The disclaimer concerned the Group's prior year transactions regarding (a) the acquisitions and impairment assessments of the Group's intangible assets, and (b) purchase price allocation, share of result, share of net assets and impairment assessment relating to the Group's interest in Yidao Network, an associate of the Group. The disclaimer arose from the opening balances and corresponding figures of intangible assets and interest in Yidao Network. Details are disclosed in the paragraph headed "Basis for Disclaimer of Opinion" under the independent auditor's report in the Group's consolidated financial statements as of 30 June 2021.

EXECUTIVE DIRECTORS' OPINION ON THE AUDIT DISCLAIMER

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

To the knowledge of executive Directors, as the predecessor auditor was unable to obtain sufficient appropriate audit evidence to ascertain the carrying amount of the Group's intangible assets as at 30 June 2020; and the impairment loss recognised and amortisation charge of intangible assets for the prior year then ended, the predecessor auditor expressed a disclaimer of opinion on the consolidated financial statements of the Company for the prior year ended 30 June 2020, which form the basis for the corresponding figures presented in the current year's financial statements.

As disclosed in "Basis for Disclaimer of Opinion", any adjustments found to be necessary to be made to the aforementioned interest in intangible assets might have significant effects on the consolidated statement of financial position of the Group as at 30 June 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended and on the related disclosures in the 2020 Consolidated Financial Statements.

To the knowledge of the executive Directors, as of 30 June 2021, the Group had entered into supplementary agreements with a third party for the termination and revision of prior year's acquisition of certain intangible assets for HK\$7,151,000; and sale agreements with third parties for the disposals of its remaining intangible assets for a total consideration of HK\$31,554,000. Certain disposals were completed during the year, and the Group recognized a gain on disposal amounting to HK\$2,444,000 in profit and loss. The disposals of the remaining intangible assets were completed subsequent to the end of the reporting period.

The auditor was unable to ascertain: (i) whether the opening balance of interest in the intangible assets at 1 July 2020 of approximately HK\$32,993,000 is appropriately brought forward from those balances as at 30 June 2020. Any adjustments to be made on the opening balance of intangible assets at 1 July 2020 may have significant impact on the opening balance of retained profits of the Group as at that date; (ii) whether any adjustments are required to be made to the gain on disposal of intangible assets amounted to approximately HK\$2,444,000 and gain on termination and revision of acquisition of intangible assets amounted to approximately HK\$3,741,000, impairment losses on intangible assets recognised or reversed, if any, as to be charged or credited to profit or loss of the Group for the current year; amortization charge of intangible assets amounted to approximately HK\$5,494,000, as charged or credited to profit or loss in respect of the current year; and the related disclosures as set out in the consolidated financial statements; (iii) whether the 2020 Financial Statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended.

For the above reasons and as stated in the section headed "Basis for Disclaimer of Opinion", CCTH expressed a disclaimer of opinion due to the opening balance and corresponding figures of the interests in intangible assets.

In view of the foregoing, the executive Directors are of the opinion that the Group's interest in intangible assets had been fully disposed of and the amount had been fully collected as of 30 September 2021. As such, the executive Directors are of the view that (i) the disclaimer of opinion relates solely to the items and disclosures in the Group's consolidated financial statements as of 30 June 2020; (ii) the disclaimer of opinion arises from the opening balances and corresponding figures in the Group's consolidated financial statements for the year ended 30 June 2021; and (iii) any amendments in the coming year should only relate to the comparability of the figures for 2021 in the consolidated financial statements for the year ended 30 June 2022.

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

To the knowledge of executive Directors, as the predecessor auditor was unable to perform appropriate audit procedures to ascertain the carrying amounts of the Group's interest in Yidao Network as at its date of acquisition and at 30 June 2020, and the Group's share of results, exchange deficit and also the impairment loss recognised relating to Yidao Network for the prior year ended 30 June 2020, the predecessor auditor expressed a disclaimer of opinion on the consolidated financial statements of the Group for the prior year ended 30 June 2020, which form the basis for the corresponding figures presented in the current year's financial statements.

As disclosed in "Basis for Disclaimer of Opinion", any adjustments found to be necessary to be made to the aforementioned interest in Yidao Network, an associate of the Company, might have significant effects on the consolidated statement of financial position of the Group as at 30 June 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended and on the related disclosures in the 2020 Consolidated Financial Statements.

To the knowledge of executive Directors as of 30 June 2021, Group had entered into sale agreement with a third party for the disposal of the Group's entire interest in Yidao Network for a total consideration of HK\$32,962,000. The disposal was completed subsequent to the end of the reporting period.

The auditor was unable to ascertain: (i) whether the opening balance of interest in Yidao Network at 1 July 2020 of approximately HK\$32,162,000 is appropriately brought forward from those balances as at 30 June 2020. Any adjustments to be made on the opening balance of interest in Yidao Network at 1 July 2020 may have significant impact on the opening balances of retained profits and exchange reserve of the Group as at that date; (ii) whether any adjustments are required to be made to impairment loss on interest in Yidao Network recognised or reversed, if any, as to be charged or credited to profit or loss for the current year; exchange surplus relating to the Group's interest in Yidao Network amounted to approximately HK\$3,074,000, as recognized in exchange reserve in respect of the current year; and the related disclosures as set out in the consolidated financial statements; (iii) whether the 2020 Financial Statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended.

For the above reasons and as stated in the section headed "Basis for Disclaimer of Opinion", CCTH expressed a disclaimer of opinion due to the opening balances and corresponding figures of the interests in an associate.

In view of the foregoing, the executive Directors are of the opinion that disposal of the Group's entire interests in Yidao Network has been completed after the end of the reporting period, including the collection of all the proceeds from the equity transfer of Yidao Network as of 30 August 2021 and the completion of industrial and commercial procedures of Yidao Network on 16 September 2021. Yidao Network is no longer an associate of the Group. As such, the executive Directors are of the view that (i) the disclaimer of opinion relates solely to the items and disclosures in the Group's consolidated financial statements as of 30 June 2020; (ii) the disclaimer of opinion arises from the opening balances and corresponding figures in the Group's consolidated financial statements for the year ended 30 June 2021; and (iii) any amendments in the coming year should only relate to the comparability of the figures for 2021 in the consolidated financial statements for the year ended 30 June 2022.

Audit Committee's View on Disclaimer of Opinion

The Audit Committee has reviewed the information provided by the Company in relation to (a) the acquisition and impairment assessment of the Group's intangible assets; and (b) the allocation of purchase price, attributable results, attributable net assets and impairment assessment of the Group's interests in Yidao Network, an associate of the Group, as well as the information set out in “Basis for Disclaimer of Opinion” of the auditor's report. The Audit Committee discussed the audit opinion at the Audit Committee's meeting held on 15 August 2022 and agreed on the basis of disclaimer of opinion from CCTH. At the Board meeting held on 15 August 2022, the Audit Committee reported to and discussed with the Board the disclaimer of opinion. The Audit Committee agreed to the opinion of the executive Directors.

Material Acquisitions and Disposals

On 28 June 2021, 武漢掌媒科技有限公司 (Wuhan Zhangmei Technology Co., Ltd.*) (the “Purchaser”), a company established under the laws of the PRC with limited liability, and 北京東潤互動科技有限公司 (Beijing Dongrun Hudong Technology Company Limited*) (the “Seller”), an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement, pursuant to which the Seller agreed to sell and the Purchaser agreed to acquire 35% equity interest in Yidao Network (the “Target Company”) at the total consideration of RMB27,400,000. Completion of the disposal will take place after the full settlement of the consideration. For details, please refer to the Company's announcement dated 28 June 2021.

Save as disclosed above, during FY 2021, the Group did not have any material acquisition or disposal.

Events after the reporting period

Other than those disclosed elsewhere in these consolidated financial statements, the Group had the following significant events after the reporting period:

- (a) On 28 April 2021, the Company entered into the subscription agreement (the “Subscription Agreement A”) with Jia Heng Tai Feng Co., Limited, an independent third party (the “Subscriber A”), pursuant to which the Subscriber A has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 52,000,000 subscription shares at the subscription price of HK\$0.25 per subscription share in accordance with the terms and conditions as set out in the Subscription Agreement A (the “Subscription A”). Up to the end of the reporting period, proceeds from the subscription A of HK\$2,300,000 was received by the Group.

The Subscription A was completed on 28 July 2021. Details of the Subscription A are set out in the Company’s announcements dated 28 April 2021 and 28 July 2021.

- (b) On 28 April 2021, the Company entered into the subscription agreement (the “Subscription Agreement B”) with Mr. Gan Xiaohua, an independent third party (the “Subscriber B”), pursuant to which the Subscriber B has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 32,000,000 subscription shares at the subscription price of HK\$0.25 per subscription share in accordance with the terms and conditions as set out in the Subscription Agreement B (the “Initial Subscription B”). Up to the end of the reporting period, proceeds from the Initial Subscription B of HK\$4,000,000 was received by the Group. On 1 July 2021, the Company and the Subscriber B entered into a second supplemental agreement (the “Second Supplemental Agreement”), pursuant to which the parties agreed to reduce the number of subscription shares from 32,000,000 shares to 16,000,000 shares (the “Revised Subscription B”).

The Revised Subscription B was completed on 28 July 2021. Details of the Initial Subscription B and the Revised Subscription B are set out in the Company’s announcements dated 28 April 2021 and 28 July 2021 respectively.

- (c) Up to the date of approval of these consolidated financial statements, the Group has further acquired machinery and equipment in connection with the Group’s digital assets business for an aggregate of approximately HK\$110,646,000, of which HK\$29,607,000 was paid by the Group as at the end of the reporting period and included in prepayments for acquisition of property, plant and equipment presented in consolidated statement of financial position.

Up to the date of approval of these consolidated financial statements, the Group has disposed of and returned certain machinery and equipment in connection with its digital assets business for an aggregate consideration of approximately HK\$91,413,000.

Employees and Remuneration Policy

As at 30 June 2021, the Group had a workforce of 48 employees (2020: 60). Total staff costs for FY 2021 were approximately HK\$7.3 million, as compared to total staff costs of HK\$13.6 million in FY 2020.

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 2021, 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 2021, 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 2021.

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 2021.

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 2021 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 2021, 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.	Due to the inadvertent oversight, there was deficiency in internal control system of the Group. 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.

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 consolidated results for the year ended 30 June 2021 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 2021 have been agreed by the Company’s auditors, CCTH CPA Limited (“CCTH”), to the amounts set out in the Group’s audited consolidated financial statements for the year ended 30 June 2021. The work performed by CCTH 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 CCTH on the preliminary announcement.

CONTINUED SUSPENSION OF TRADING IN SHARES

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 4 October 2021 and will remain suspended until further notice. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 15 August 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 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*