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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 2023**

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 hereby announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 30 June 2023, together with the comparative figures for the year ended 30 June 2022 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 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Revenue	4	69,962	46,442
Cost of goods sold and services		<u>(72,268)</u>	<u>(45,577)</u>
Gross (loss)/profit		(2,306)	865
Other income, gains and losses, net	5	(7,147)	(69,781)
Selling and distribution expenses		(1,099)	(433)
Administrative expenses		(17,762)	(29,716)
Finance costs	6	<u>(1,727)</u>	<u>(300)</u>
Loss before tax		(30,041)	(99,365)
Income tax credit/(expense)	7	<u>50</u>	<u>(128)</u>
Loss for the year attributable to owners of the Company		<u>(29,991)</u>	<u>(99,493)</u>

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
Other comprehensive (expense)/income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translating foreign operations		<u>(12,264)</u>	<u>3,475</u>
Other comprehensive (expense)/income for the year		<u>(12,264)</u>	<u>3,475</u>
Total comprehensive expense for the year attributable to owners of the Company		<u><u>(42,255)</u></u>	<u><u>(96,018)</u></u>
		2023 <i>(HK cents)</i>	2022 <i>(HK cents)</i>
Loss per share	9		
Basic and diluted		<u><u>(6.10)</u></u>	<u><u>(20.60)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		2,384	4,740
Right-of-use assets		208	469
Goodwill		–	–
		2,592	5,209
Current assets			
Inventories		45	–
Trade receivables	<i>10</i>	35,359	–
Deposits, prepayments and other receivables		82,534	71,577
Cryptocurrency		10	10
Restricted bank deposits		105	–
Pledged bank deposits		25,882	–
Bank and cash balances		4,708	19,907
		148,643	91,494
Assets classified as held-for-sale		3,368	–
		152,011	91,494
Current liabilities			
Trade and bills payables	<i>11</i>	44,899	6,572
Accruals and other payables		37,065	10,963
Borrowings		4,691	9,326
Loans from shareholders and directors		30,416	604
Loan from a shareholder		17,254	–
Loan from a director		157	–
Lease liabilities		240	286
Current tax liabilities		1,103	2,255
		135,825	30,006
Liabilities associated with assets classified as held-for-sale		5,239	–
		141,064	30,006
Net current assets		10,947	61,488
Total assets less current liabilities		13,539	66,697

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
Non-current liabilities			
Borrowings		–	13,768
Lease liabilities		<u>42</u>	<u>177</u>
		<u>42</u>	<u>13,945</u>
NET ASSETS			
		<u>13,497</u>	<u>52,752</u>
Capital and reserves			
Share capital	<i>12</i>	5,080	4,880
Reserves		<u>8,417</u>	<u>47,872</u>
TOTAL EQUITY			
		<u>13,497</u>	<u>52,752</u>

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 and digitalization empowerment platform business.

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

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

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Going concern basis

In preparing the consolidated financial statements, the directors of the Company have considered the future liquidity of the Group in view of its recurring losses incurred. The Group incurred a net loss of approximately HK\$29,991,000 for the year ended 30 June 2023 and had borrowings and loans from shareholders and directors, a shareholder and a director due within one year of approximately HK\$4,691,000, HK\$30,416,000, HK\$17,254,000 and HK\$157,000 respectively, as at that date. Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of the going concern basis is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

Also, the directors of the Company are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

- the directors of the Company have carried out a detail review of the working capital forecast of the Group for not less than twelve months from the year end date, which took into account the projected future working capital of the Group;

- to obtain additional funds by equity financing and long-term debt financing to finance the Group's working capital and the repayment of existing debts when they fall due;
- to negotiate with the lenders of the other borrowings and creditors for the extension of repayments of those borrowings and trade and other payables to a date when the Group has adequate working capital to serve the repayments;
- to formulate and closely monitor business strategy for the Group to generate cash flows from its existing and new business operations;
- the shareholders and directors, a shareholder and a director of the Company has agreed not call for any repayment of loans amounting approximately HK\$30,416,000, HK\$17,254,000 and HK\$157,000, until the Group is in a financial position to do so.

In view of the above, the directors of the Company are of the opinion that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue as a going concern. Accordingly, the directors of the Company have prepared the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the directors of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows in the near future.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

3. 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 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 Group’s annual period beginning on or after 1 July 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts and related Amendments ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimate ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules ¹

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

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual period 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.

4. 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.
Digitalization empowerment platform business*	—	provision of cryptocurrency related business; operating vending machine; and gold trading

* The name of this segment was "Digital assets business" prior to 2023. During the year, the name was changed as the Group considered it represents the business nature of this segment and its recent development more specifically.

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Internet advertising agency services	39,041	39,649
Cryptocurrency mining revenue	—	5,081
Cryptocurrency hosting revenue	—	1,712
Vending machine income	2,075	—
Gold trading	28,846	—
	<u>69,962</u>	<u>46,442</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At a point in time	30,921	5,081
Over time	39,041	41,361
	<u>69,962</u>	<u>46,442</u>

5. OTHER INCOME, GAINS AND LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest income on bank deposits	77	1
Interest income on loans receivable	1,052	722
Gain on disposal of assets classified as held-for-sale	–	9,592
Gain/(loss) on disposal of property, plant and equipment	24	(1,609)
Impairment loss recognised on property, plant and equipment	–	(9,367)
Impairment loss recognised on trade and other receivables, net	(11,609)	(69,210)
Sundry income	59	69
Exchange gains, net	3,250	21
	<u>(7,147)</u>	<u>(69,781)</u>

6. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on other borrowings	209	293
Interest on loan from a shareholder and director	303	–
Interest on loan from a shareholder	767	–
Interest on lease liabilities	25	7
Interest expenses on discounted bills	423	–
	<u>1,727</u>	<u>300</u>

7. INCOME TAX (CREDIT)/EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong profits tax		
— Current taxation	—	128
— Over provision in prior years	<u>(50)</u>	<u>—</u>
	<u>(50)</u>	<u>128</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% (2022: 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.

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

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

9. LOSS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company	<u>(29,991)</u>	<u>(99,493)</u>
	2023 <i>'000</i>	2022 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>491,726</u>	<u>482,900</u>

No diluted loss per share for both of the years ended 30 June 2023 and 2022 were presented as there were no potential ordinary shares in issue for both of the years.

10. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	58,238	23,257
Less: Allowances for impairment loss	<u>(22,879)</u>	<u>(23,257)</u>
	<u>35,359</u>	<u>–</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. 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	7,382	–
31 to 60 days	–	–
61 to 90 days	2,397	–
91 to 180 days	<u>25,580</u>	<u>–</u>
	<u>35,359</u>	<u>–</u>

As at 30 June 2023, allowances were made for estimated irrecoverable trade receivables of approximately HK\$22,879,000 (2022: HK\$23,257,000).

11. TRADE AND BILLS PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade and bills payables	<u>44,899</u>	<u>6,572</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	11,624	–
31–60 days	–	–
61–90 days	–	–
91–180 days	25,882	–
Over 180 days	<u>7,393</u>	<u>6,572</u>
	<u>44,899</u>	<u>6,572</u>

The normal average credit period for purchase goods ranged from 0 to 90 days and certain suppliers grant longer credit period on a case-by-case basis.

12. SHARE CAPITAL

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Authorised:		
4,000,000,000 ordinary shares of HK\$0.01 each	<u>40,000</u>	<u>40,000</u>
Issued and fully paid:		
At beginning of the year	4,880	4,200
Issue of ordinary shares under share subscription	<u>200</u>	<u>680</u>
At end of the year	<u>5,080</u>	<u>4,880</u>

On 28 April 2021, the Company entered into subscription agreements and supplemental agreement with two third parties under which the Company has agreed to allot and issue 68,000,000 new shares at the subscription price of HK\$0.25 per share. Completion of the shares subscription took place on 28 July 2021 which gave rise to proceeds of HK\$17,000,000 (before expense) on the issue of 68,000,000 new shares of the Company.

On 17 March 2023, the Company entered into subscription agreements with a independent third party under which the Company has agreed to allot and issue 20,000,000 new shares at the subscription price HK\$0.15. Completion of the shares subscription took place on 24 April 2023 which gave rise to proceeds of HK\$3,000,000 (before expense) on the issue of 20,000,000 new shares of the Company.

EXTRACT FROM INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditor's report on the Company's consolidated financial statements for the year ended 30 June 2023:

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group experienced a loss of approximately HK\$29,991,000 for the year ended 30 June 2023 and had borrowings and loans from shareholders and directors, a shareholder and a directors due within one year of approximately HK\$4,691,000, HK\$30,416,000 and HK\$17,254,000 and HK\$157,000 respectively as at that date. These conditions, along with other matters as set forth in note 3 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The directors of the Company, having considered the measures being taken by the Group, are of the opinion that the Group would be able to continue as a going concern. Our opinion is not modified in respect of this matter.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 30 June 2023 (2022: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

The Group is an integrated group, which was principally engaged in internet advertising agency services, the build-up and operation of a digitalization empowerment platform, and digital assets business during the year.

Business Review

The Group and its subsidiaries are principally engaged in internet advertising agency services and the build-up and operation of a digitalization empowerment platform, 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. In March 2022, in response to the government policies in Mainland China, the Group made timely investment in the research and development and build-up of a digitalization empowerment platform, and upgraded the internet advertising empowerment system to provide government and enterprises with various services such as personalized advertising, creation and management of product sales channels, and customer loyalty enhancement.

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.

Digitalization Empowerment Platform

Following the rollout of the overseas internet advertising agency services, the Group timely launched the digitalization empowerment system to tap the advertising market in Mainland China. The system incorporates online and offline functions. In particular, “Million Stars Promotion Machine” (萬星促銷機), an intelligent advertising device that comes with a product vending function, was a major breakthrough.

“Million Stars Promotion Machine” can be installed indoors or outdoors, and is connected to various payment systems for customers’ convenience to pay on mobile phones. The product has been well received by the market since launch.

Junjing Business Management (Zhejiang) Co., Ltd.* (雋景商業管理(浙江)有限公司), a wholly-owned subsidiary of the Group, has established cooperation with a number of strong organizations for “Million Stars Promotion Machine”. In June 2023, the digitalization empowerment platform started launching a new generation of “Million Stars Promotion Machine”, which integrates cashier, sales and inventory, marketing management, and push advertising, which can be widely applied to all kinds of merchandising stores with promising outlook.

By the end of June 2023, digitalization empowerment platform business achieved operating income of approximately HK\$30.9 million.

Outlook

With the rapid recovery of the Chinese economy, the Group’s internet advertising and digitalization empowerment platform businesses will continue to develop steadily. The Group and its wholly-owned subsidiaries are also committed to product development and business expansion, consolidating existing businesses and seeking new opportunities. In June 2023, the Group successfully launched the new generation of “Million Stars Promotion Machine” with built-in cashier and targeted marketing functions. It is expected to become a revenue-generating tool for various retail stores, bringing new business growth points for the Group.

Financial Review

Revenue

The Group’s revenue principally represents income derived from the provision of internet advertising agency services and digitalization empowerment platform business.

The Group has recorded a revenue of approximately HK\$70.0 million for the year ended 30 June 2023, representing an increase of approximately 50.9% as compared with about HK\$46.4 million for the year ended 30 June 2022.

Cost of Sales and Gross Loss

Cost of sales mainly represents costs incurred for provision of internet advertising agency services and digitalization empowerment platform business during the year.

The Group’s cost of sales amounted to approximately HK\$72.3 million for the year ended 30 June 2023. Cost of sales increased by approximately 58.6% as compared with the cost of sales for the year ended 30 June 2022.

Gross loss margin of approximately 3.3% for the year ended 30 June 2023 decreased by 5.2% comparing to the gross profit margin of approximately 1.9% for the year ended 30 June 2022, mainly due to the Group's investment in mobile game business in addition to the internet advertising agency business, representing an increase in initial investment costs, and the penetration into the market of digitalization empowerment platform business in the start-up stage, pursuing a strategy of small profits but quick turnover.

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, impairment loss recognised on trade and other receivables and exchange gains and losses.

Other income, gains and losses, net, amounted to net losses of approximately HK\$7.2 million for the year ended 30 June 2023 compared to net losses of approximately HK\$69.8 million for the year ended 30 June 2022.

Selling and Distribution Expenses

Selling and distribution expenses comprise mainly payroll expenses. The selling and distribution expenses for the year ended 30 June 2023 and 2022 were approximately HK\$1.1 million and HK\$0.4 million respectively. The increase in selling and distribution expenses was mainly due to the increase in advertising planning and consulting service fees of the digitalization empowerment platform business in the early stage.

Administrative Expenses

Administrative expenses comprise mainly payroll expenses, rent, depreciation, operating expenses and other office administrative expenses. Administrative expenses were approximately HK\$17.8 million for the year ended 30 June 2023, while amounted to approximately HK\$29.7 million for the year ended 30 June 2022, representing a decrease of approximately 40%.

The lower administrative expenses for the year ended 30 June 2023 were recorded mainly due to reduction in depreciation charge and staff costs.

Finance Costs

Finance costs increased to HK\$1.7 million during the year ended 30 June 2023 from HK\$0.3 million during the year ended 30 June 2022, primarily due to the increase in interest paid to shareholders and directors and interest expenses on discounted bills.

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.

Loss for the Year

The Group recorded a loss for the year of approximately HK\$30 million and HK\$99.5 million for the year ended 30 June 2023 and 2022 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 2023, included in net current assets were cash and bank balances (including pledged bank deposits) totalling approximately HK\$30.7 million (30 June 2022: HK\$19.9 million), the increase in which was mainly attributable to the extension of payment terms on the settlement with suppliers.

The Group's outstanding interest-bearing borrowings as at 30 June 2023 amounting to HK\$4.7 million (30 June 2022: HK\$23.1 million) were principally denominated in HKD and RMB 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 borrowings over the total equity was approximately 34.7% as at 30 June 2023 (30 June 2022: 43.8%).

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 period.

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.

USE OF PROCEEDS

On 17 March 2023, the Company entered into one subscription agreement (the "Subscription Agreement") with one subscriber (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 shares of the Company at the subscription price of HK\$0.15 per share. The Subscription Agreement has been completed on 24 April 2023 and 20,000,000 shares have been allotted and issued to the Subscriber.

The gross proceeds and net proceeds from the issue of the shares are estimated to be HK\$3,000,000 and approximately HK\$2,950,000 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\$0.148.

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

	Allocation of net proceeds	Amount utilized as at 30 June 2023	Remaining balance of net proceeds as at 30 June 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Issue of 20,000,000 shares on 24 April 2023			
Future business development, including but not limited to data centre and other potential business development	1,118	1,118	0
Repayment of borrowings	611	611	0
General working capital of the Group	1,221	1,221	0

Charge over Assets of the Group

As at 30 June 2023, there is no pledged bank deposits of the Group to support the Group's banking facilities (30 June 2022: Nil).

Capital Commitments

As at 30 June 2023, the Group did not have any significant capital commitment (30 June 2022: Nil).

Contingent Liabilities

As at 30 June 2023, the Group did not have any significant contingent liability (30 June 2022: 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 2023, the Group did not have any material acquisition or disposal.

Events after the reporting period

Save as disclosed in this announcement, there is no significant event that took place subsequent to 30 June 2023.

Employees and Remuneration Policy

As at 30 June 2023, the Group had a workforce of 22 employees (2022: 28). Total staff costs for the year ended 30 June 2023 were approximately HK\$5 million, as compared to total staff costs of HK\$6.3 million for the year ended 30 June 2022.

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.

DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ INTEREST IN COMPETING BUSINESS

During the year ended 30 June 2023, 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 year ended 30 June 2023, 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 2023.

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 2023.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions on Corporate Governance Code in force during the year ended 30 June 2023 as set out in Appendix 15 to the GEM Listing Rules.

During the year ended 30 June 2023, 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 Deviations
C.2.1	The roles of chairman and chief executive officer should be separated and should not be performed by the same individual.	Mr. Zhu Yongjun resigned as the chairman and Chief Executive officer of the Company with effect on 17 April 2023 and Mr. Gan Xiaohua (“Mr. Gan”) and Ms. Tian Yuan (“Ms. Tian”), each an executive Director of the Company, has been appointed as the co-chairman of the Board with effect from 17 April 2023.	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 Board will continue to review and consider splitting the roles of the chairperson and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstance of the Group as a whole.
C.2.7	The chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors.	Due to the travelling restriction imposed by government in China, the chairman did not hold physical meeting with the independent non-executive Directors without the presence of other directors.	The chairman communicated with independent non-executive Director by way of electronic means communication such as Voov Meeting or Zoom Meeting.

	Code Provision	Deviation	Considered Reason for Deviations
D.1.2	Management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules.	The management failed to provide the Directors with updated financial information of the Company each month.	The Board members of the Company were still informed by the management of the Company by email, by WeChat or by phone on the updated information of the Company's performance and future business plan from time to time.
D.2.1	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 still have some deficiencies in risk management and internal control issues within the Group.	<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 necessary follow up steps to 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 audited consolidated annual results for the year ended 30 June 2023 prior to recommending them to the Board for approval.

SCOPE OF WORK OF AUDITOR

The figures in respect of the consolidated financial statements as set out in this results announcement have been agreed by the Group's independent auditor, **Prism Hong Kong and Shanghai Limited** to the amounts set out in the consolidated financial statements for the year ended 30 June 2023.

The work performed by Prism Hong Kong and Shanghai Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Prism Hong Kong and Shanghai Limited on this results announcement.

By order of the Board
Million Stars Holdings Limited
Gan Xiaohua Tian Yuan
Co-chairman

Hong Kong, 29 September 2023

As at the date of this announcement, the Board comprises Mr. Gan Xiaohua, Ms. Tian Yuan and Mr. Zhu Yongjun 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 Stock Exchange website at <http://www.hkexnews.hk> 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>.