

**StarGlory Holdings Company Limited**  
**榮暉控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8213)

**THIRD QUARTERLY REPORT**  
**FOR THE NINE MONTHS ENDED**  
**31 DECEMBER 2021**

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**FINANCIAL HIGHLIGHTS FOR THE NINE MONTHS ENDED  
31 DECEMBER 2021**

Consolidated revenue of the Company and its subsidiaries (collectively the “**Group**”) was approximately HK\$130.6 million for the nine months ended 31 December 2021, representing a decrease of approximately 4.8% compared with approximately HK\$137.2 million recorded in the corresponding period last year.

Loss attributable to owners of the Company was approximately HK\$11.5 million for the nine months ended 31 December 2021 as compared to profit attributable to owners of the Company of approximately HK\$6.7 million in the corresponding period last year.

## RESULTS

The board (the “**Board**”) of Directors of the Company hereby announces the unaudited condensed consolidated results of the Group for the nine months ended 31 December 2021, together with the comparative unaudited consolidated figures for the corresponding period last year:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the nine months ended 31 December 2021

		For the nine months ended 31 December		For the three months ended 31 December	
		2021	2020	2021	2020
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2	130,633	137,167	46,956	48,969
Cost of sales		(55,953)	(54,245)	(19,449)	(20,113)
Gross profit		74,680	82,922	27,507	28,856
Other income		1,462	15,916	431	4,993
Gain on disposal of subsidiaries	3	–	1,893	–	–
Gain on modification of convertible bonds		1,390	–	–	–
Operating expenses		(84,355)	(87,503)	(28,970)	(29,511)
Operating (loss)/profit		(6,823)	13,228	(1,032)	4,338
Finance costs		(4,163)	(4,275)	(1,363)	(1,436)
(Loss)/profit before income tax		(10,986)	8,953	(2,395)	2,902
Income tax expense	4	(541)	(2,272)	(780)	(1,394)
<b>(Loss)/profit for the period</b>		<b>(11,527)</b>	<b>6,681</b>	<b>(3,175)</b>	<b>1,508</b>
<b>(Loss)/profit for the period attributable to:</b>					
Owners of the Company		(11,534)	6,672	(3,175)	1,432
Non-controlling interests		7	9	–	76
		<b>(11,527)</b>	<b>6,681</b>	<b>(3,175)</b>	<b>1,508</b>
			(Adjusted)		(Adjusted)
<b>(Loss)/earnings per share</b> (HK cents)	5				
– Basic		(2.21)	1.28	(0.61)	0.27
– Diluted		N/A	N/A	N/A	N/A

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

*For the nine months ended 31 December 2021*

	For the nine months ended 31 December		For the three months ended 31 December	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>(Loss)/profit for the period</b>	<u>(11,527)</u>	<u>6,681</u>	<u>(3,175)</u>	<u>1,508</u>
Other comprehensive loss:				
Items that may be subsequently reclassified to profit or loss:				
Exchange loss arising from translation of financial statements of foreign operations	<u>(1,212)</u>	<u>(1,377)</u>	<u>(295)</u>	<u>(1,251)</u>
<b>Total comprehensive (loss)/ income for the period</b>	<u><b>(12,739)</b></u>	<u><b>5,304</b></u>	<u><b>(3,470)</b></u>	<u><b>257</b></u>
<b>Total comprehensive (loss)/ income for the period attributable to:</b>				
Owners of the Company	<u>(12,746)</u>	<u>5,295</u>	<u>(3,470)</u>	<u>181</u>
Non-controlling interests	<u>7</u>	<u>9</u>	<u>-</u>	<u>76</u>
	<u><b>(12,739)</b></u>	<u><b>5,304</b></u>	<u><b>(3,470)</b></u>	<u><b>257</b></u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 2021

	Attributable to owners of the Company									
	Share capital HK\$'000	Accumulated losses HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Other reserve HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1.4.2020 (audited)	41,662	(392,996)	258,889	3,801	(448)	1,390	(143)	(87,845)	(330)	(88,175)
Release upon disposal of subsidiaries - Note 3	-	-	-	-	1,671	-	160	1,831	436	2,267
<b>Comprehensive income/(loss)</b>										
Profit for the period	-	6,672	-	-	-	-	-	6,672	9	6,681
Other comprehensive loss:										
Exchange loss arising from translation of financial statements of foreign operations	-	-	-	-	(1,377)	-	-	(1,377)	-	(1,377)
Total comprehensive income/(loss) for the period	-	6,672	-	-	(1,377)	-	-	5,295	9	5,304
<b>At 31.12.2020 (unaudited)</b>	<b>41,662</b>	<b>(386,324)</b>	<b>258,889</b>	<b>3,801</b>	<b>(154)</b>	<b>1,390</b>	<b>17</b>	<b>(80,719)</b>	<b>115</b>	<b>(80,604)</b>
At 1.4.2021 (audited)	41,662	(390,475)	258,889	3,801	128	1,390	17	(84,588)	-	(84,588)
Extension of convertible bonds	-	-	-	-	-	346	-	346	-	346
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	(967)	(967)
<b>Comprehensive (loss)/income</b>										
(Loss)/profit for the period	-	(11,534)	-	-	-	-	-	(11,534)	7	(11,527)
Other comprehensive (loss)/income:										
Exchange loss arising from translation of financial statements of foreign operations	-	-	-	-	(1,212)	-	-	(1,212)	-	(1,212)
Total comprehensive (loss)/income for the period	-	(11,534)	-	-	(1,212)	-	-	(12,746)	7	(12,739)
<b>At 31.12.2021 (unaudited)</b>	<b>41,662</b>	<b>(402,009)</b>	<b>258,889</b>	<b>3,801</b>	<b>(1,084)</b>	<b>1,736</b>	<b>17</b>	<b>(96,988)</b>	<b>(960)</b>	<b>(97,948)</b>

Notes:

## 1. BASIS OF PREPARATION

- (a) These unaudited condensed consolidated quarterly results have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and are prepared under the historical cost convention and the applicable disclosure required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

These unaudited condensed consolidated quarterly results should be read in conjunction with the consolidated financial statements for the year ended 31 March 2021, which have been prepared in accordance with HKFRSs.

These unaudited condensed consolidated quarterly results have been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its annual period beginning on 1 April 2021. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s unaudited condensed consolidated quarterly results and amounts reported for the current period and prior periods.

### (b) Adoption of the going concern basis

When preparing the unaudited condensed consolidated quarterly results, the Group’s ability to continue as a going concern has been assessed. These unaudited condensed consolidated quarterly results have been prepared by the Directors on a going concern basis notwithstanding that the Group had net current liabilities and net liabilities of approximately HK\$85,645,000 and HK\$97,948,000 respectively as at 31 December 2021 as the Directors considered that:

- (1) Ms. Huang Li, being the sole beneficial owner and director of the ultimate holding company of the Company will provide continuing financial support to the Group; and
- (2) On 17 June 2021, the lender of the other loans signed a memorandum of loans with a subsidiary of the Company, pursuant to which the repayment date of the outstanding other loans balance of approximately HK\$109,801,000 as at 17 June 2021 was extended from 22 June 2021 to 22 June 2022.

After taking into consideration of above factors and funds expected to be generated internally based on the Directors’ estimation on future cash flow of the Group, the Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future and consider that it is appropriate for the unaudited condensed consolidated quarterly results to be prepared on a going concern basis since there are no material uncertainties related to events or conditions that may cast significant doubt upon the Group’s ability to continue as a going concern.

## 2. REVENUE

Revenue, represents invoiced value recognized in respect of provision of food and beverage services and sales of skincare products net of discounts and value-added tax, during the period. An analysis of the revenue recorded for the period is set out below:

	<b>For the nine months ended 31 December</b>	
	<b>2021</b>	2020
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Revenue from customers and recognized at a point in time		
– Provision of food and beverage services and others	<b>130,350</b>	137,167
– Sales of skincare products	<b>283</b>	–
	<b>130,633</b>	137,167

## 3. GAIN ON DISPOSAL OF SUBSIDIARIES

During the nine months ended 31 December 2020, the Group disposed of the entire issued share capital and the shareholder's loan in Townsman Limited and its subsidiaries (collectively referred as to the "Townsman Group") to Shirokuma & Co., which is an independent third party, at aggregate consideration of JPY45,000,000 (equivalent to approximately HK\$3.3 million).

The net liabilities of the Townsman Group being disposed of were as follows:

	<b>(Unaudited)</b>
	<b>HK\$'000</b>
Plant and equipment	1,289
Rights-of-use assets	5,295
Other intangible assets	927
Inventories	287
Debtors, deposits and prepayments	1,449
Income tax recoverable	206
Cash and bank balances	2,541
Creditors and accruals	(7,191)
Deferred tax liabilities	(186)
Lease liabilities	(5,480)
Net liabilities disposed of	(863)
Release of exchange reserve	1,671
Release of other reserve	160
	968
Non-controlling interests	436
Gain on disposal of subsidiaries	1,893
Total consideration satisfied by:	
Cash consideration	3,297
Net cash inflow arising:	
Cash consideration received	3,297
Cash and bank balances disposed of	(2,541)
	756

#### 4. INCOME TAX

Taxation in the profit or loss represents:

	For the nine months ended 31 December	
	2021	2020
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax	31	1,133
Deferred tax	510	1,139
Income tax expense	<u>541</u>	<u>2,272</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“**BVI**”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) The Company’s subsidiaries incorporated/established in Hong Kong and the People’s Republic of China (“**PRC**”) are subject to Hong Kong Profits Tax and PRC Enterprise Income Tax at the rates of 16.5% and 25% respectively (2020: Hong Kong – 16.5% and PRC – 25%).

#### 5. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for all periods presented is based on loss attributable to owners of the Company of approximately HK\$11,534,000 (2020: profit of approximately HK\$6,672,000) and the weighted average number of ordinary shares of 520,771,875 (2020: 520,771,875 ordinary shares) in issue during all periods.

On 11 January 2022, every eight (8) issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company were consolidated into one (1) ordinary share of HK\$0.08 each (each a “**Consolidated Share**”) in the share capital of the Company (the “**Share Consolidation**”) and resulted in the weighted average number of Consolidated Shares of 520,771,875 in issue during all periods. Comparative figures of the weighted average number of ordinary shares for calculating basic earnings per share have been adjusted on the assumption that the Share Consolidation have been effective in the prior year.

Diluted (loss)/earnings per share has not been disclosed as no dilutive potential ordinary shares exist as at 31 December 2021 and 2020.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the nine months ended 31 December 2021 (2020: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's unaudited revenue for the nine months ended 31 December 2021 (the "**Reporting Period**") amounted to approximately HK\$130.6 million (2020: approximately HK\$137.2 million), representing a decrease of approximately 4.8% compared with the same period of the last financial year.

### Industry Overview

During the Reporting Period, global economies were on the right track for recovery but the growth pace was hampered by the latest threat of new coronavirus variant Omicron. Global economy was expanding just 0.7% in the last three months of 2021, half the pace of the previous quarter, according to the latest Bloomberg forecast. Despite high vaccination rates in many developed countries, continued prevalence of Coronavirus disease ("**COVID-19**") infections is affecting consumers' confidence. This, together with supply shortages and the knock-on effects on consumer prices, brought uncertainty to the economic prospects and hindered the growth of economy. Meanwhile, the global trade activities rebounded unexpectedly well in 2021, but such a strong recovery may not be sustained in 2022 amid various risks.

In China, the economy grew slower than expected in the fourth quarter of 2021 as power outages and supply bottlenecks hurt factories while sporadic COVID-19 outbreaks weighed on consumption. According to the data released from National Bureau of Statistics of China, China's GDP growth eased to 4.0% in the fourth quarter from 4.9% in previous quarter, delivering a full-year result of 8.1%, as COVID-19 resurgence and real estate downturn combined to restrain economic momentum. Domestic retail sales also weakened as the December data missed expectations with only a 1.7% increase from a year earlier, leading to the increase of downside risks in China's economic outlook. Renewed domestic COVID-19 outbreaks, including the new Omicron variant, could lead to larger disruptions in economic activity.

According to the HK Macroeconomic Forecast announced by the University of Hong Kong, Hong Kong's economy saw promising rebound during the fourth quarter but it is facing similar downside risks to China and other advanced countries, with the latest emergence of the Omicron variant shadowing the ongoing recovery. However, the situation is under control given government's timely measures. The stable local epidemic and Consumption Voucher Scheme contributed to a 7.1% year-on-year growth in the value of total retail sales in November, bringing the first 11 months growth to 8.3% against 2020. Business of restaurants improved further in the third quarter of 2021, thanks to the stable local epidemic situation, better labor market conditions and the Consumption Voucher Scheme. According to the Census and Statistics Department, the value of total restaurant receipts increased sharply by 43.8% to HK\$24.5 billion in the third quarter over a low base of comparison a year ago.

Fuelled by increasing consumer income, population aging, urbanization and government initiatives, China's beauty and personal care product market and healthcare market continued to expand rapidly and ranked the second largest in the world behind the United States (the "U.S."). According to Statista, driven by the increasing disposable income and willingness to consume, China's skincare market is expected to grow steadily in the next few years and reach nearly RMB400 billion in 2025. Deepening reform efforts also brought new opportunities to invest in the healthcare market and profound changes to the healthcare landscape. The Chinese elderly population is expected to jump more than double in size from 2020 to reach 366 million in 2050. To cope with this, healthcare expenditure in the country is estimated to more than double to RMB17.6 trillion yuan between 2020 and 2030, according to Frost & Sullivan and Goldman Sachs research. The figures present a promising future and robust growth potentials of China's healthcare and skincare market.

As for the e-cigarette industry, regulations are the most critical factor for the market. Just as in the U.S., the industry in China also experienced an exceptionally rough time since 2018 when the country imposed stricter standards on the sector and tightened scrutiny of e-cigarettes. The Chinese authority further stepped up the regulation of the fast-growing vaping industry in November 2021 by including the sector in its tobacco monopoly. Such move put the market under the government's full control.

## **Business Review**

The pandemic situation of "COVID-19" in Hong Kong becomes more contagious for the Reporting Period. The food cost has been jumping since the third quarter of 2021. Thanks to the encouragement, support and patience from our loyal customers and suppliers, and diligent staff, the Group's food and beverage business has a sustainable result in the Reporting Period.

During the Reporting Period, the Group's food and beverage businesses have two Japanese related concepts in Hong Kong, namely Italian Tomato and Ginza Bairin.

Italian Tomato, is the Group's major brand of restaurants, café and cake shops, and the major revenue contributor to the Group. Italian Tomato is undoubtedly one of the well-recognized cake shops in Hong Kong, both traditional and seasonal products are welcomed in the market. The result of the Reporting Period is encouraging, which gives great encouragement and confidence to the management for enlarging the network of Italian Tomato. By the addition of 4 cake shops while closing of 1 café in the Reporting Period, the Group owned 5 cafés and 29 cake shops in Hong Kong as at 31 December 2021. A recent study conducted by the management noted that the benefit from the resource deployed in shop operation is more worthwhile than in factory operation, the management therefore has an expansion plan on shop number which is now subject to the conclusion of tenancies.

Ginza Bairin, the Japanese tonkatsu, has 1 shop in Hong Kong. With the unflinching support from a small but steady population of tonkatsu lover who is addicted to Ginza Bairin taste, Ginza Bairin therefore maintains a satisfactory result in this Reporting Period. However, shortage of labor supply is a serious problem in the food and beverage industry now, the management is trying all effort to ensure the quality of food and service provided by Ginza Bairin.

Amid the relatively sluggish business environment in past few years, the Group strived to explore other business opportunities and successfully tapped into the healthcare business in China. The Group has gradually built up its experience in the operation of and understanding in the business environment of the healthcare industry in China. The Group's healthcare business was further boosted after completing the acquisition of 70% equity interest in Huayin (Shenzhen) Biotechnology Co., Ltd ("**Huayin Biotechnology**"). Leveraging Huayin Biotechnology's technological expertise, the Group had achieved synergy on product development and made some very significant steps forward in terms of its future growth and direction. These have set the Group up well for embracing new opportunities in the year ahead.

During the Reporting Period, the Group remained active in promoting its popular freckle removal and skin whitening products which had already earned good reputation. The Group has adopted a 360-degree marketing strategy to reach out target customers through both online and offline promotions. For instance, the Group expanded its sales channel by establishing official accounts on various online sales platforms, and building an in-house online livestreaming team to drive sales and enhance customer experience. The products were well received by the market and brought satisfactory revenue to the Group, making a giant step forward for the Group to stand in China's healthcare market. The Group's livestream team came online in the fourth quarter of 2021 and gained popularity, with a total of 480-hour air time and 7.2 million views recorded in the quarter.

The marketing efforts were further enhanced to cater for the market demand for innovative and eye-catching products. The Group had defined the products into four different categories focusing on different skin types. With new branding image of the product lines, the marketing efforts can be fully utilized and more targeted to the customers in respective age group.

The Group also explored cooperation opportunities with business partners to expand the sales channels. A product launch event was successfully held in Fujian in December 2021 with overwhelming response received from the market. The Group also collaborated with professional culture and media company to launch various fruitful sales and marketing campaigns and stepped up its efforts on branding initiatives, including but not limited to intensive promotion through online platforms and social media. It also teamed up with different sales channels to soft sell its signature products off-the-line. These efforts started to pay off and the Group will strive to achieve its sales target in 2022.

With regard to the e-cigarette business, the Group is taking a relatively conservative approach amid the continuous efforts of the Chinese government in regulating and monitoring cigarette consumption. Despite the growing demand for the e-cigarette in China and worldwide, the Group decided to adopt a wait-and-see approach and will timely adjust its business strategy and resource allocation according to the market condition.

## Future Prospects

As the world enters the third year of the COVID-19 crisis, economic developments have been both encouraging and troubling. Economies such as China, Hong Kong and Singapore etc, with relatively substantial vaccination rates and better pandemic control, are on track to resume normal activities, while other countries are still threatened by the surge of new variants cases, not to mention those low-income countries who are still suffering because of limited vaccines supply. At the start of 2022, although the supply of vaccines is increasing appreciably, new variants and vaccine deployment bottlenecks remain major obstacles, causing the uncertainty over health to persist well into the future.

In China, the economic growth is forecasted to slow down to 5.2% on average in 2022-23, amid the lingering effects of the pandemic, tighter regulations on certain segments of the economy, and diminishing support from exports, according to the latest report by the World Bank. Hong Kong, meanwhile, is expected to deliver a fairly robust performance in 2022 with a 3% growth rate after a strong growth of 6.4% in 2021. The local government expects the city's economy can continue its growth trajectory in 2022, provided the external environment doesn't deteriorate significantly and the local epidemic situation can be maintained in a stable manner.

As challenges lie ahead, the Group remains cautiously optimistic on the business outlook and will take a prudent approach to expand its business, strengthen management and enhance its expertise to seize the opportunities in 2022. The Group will continue to strengthen its food & beverage business, enhance the brand awareness and special offerings by rolling out seasonal and festival products to cater for customers' need. Meanwhile, the Group will continue to develop its membership scheme by enhancing its mobile APP so as to provide a better customer experience and grasp the opportunities arising from the surging demand for takeaway services. As the operating environment of the food and beverage sector remains challenging amid the emergence of new COVID-19 variant, the Group will keep monitoring market development and will cautiously adopt appropriate cost control measures to sustain business growth.

With regard to the healthcare business, the Group is ready for embracing enormous opportunities in the year ahead as demand for high quality healthcare and beauty products saw promising growth in recent years. After the successful launch of skincare products in early 2021, the Group has won wide customer recognition and kept up its momentum to enrich its product portfolio. To ensure the sustaining growth of the Group and its brand awareness, the Group will continue to focus on its online brand promotion and utilize its in-house livestreaming team in the near future.

Furthermore, data from the National Bureau of Statistic of China states that the country's online retail sales jumped 14.1% year-on-year to RMB13,088 billion in 2021 while market expects sales from e-commerce will grow by 11.0% and amount for 55.6% of the countries' total retail in 2022. To grasp the growing online shopping trend in China, the Group strives to explore collaborations with different e-commerce platforms, work closely with partners to boost online promotion, engage in more new media platforms, enhance the corporate account and shopping apps in order to bring a better shopping and browsing experience to the customers.

Among different healthcare segments, the Group also eyes on the oral hygiene market as oral care has been increasingly valued by consumer amid improving health awareness and the changing consumption habit in China. According to the National Statistics Bureau of China, the revenue and profit of sizeable toothpaste corporations have been rising from 2016 to 2019, demonstrating a strong momentum. Driven by aesthetic needs and dental health issues, functional high-end toothpastes also saw increasing demand in the market.

In view of the strong potentials in oral hygiene market, the Group has planned to establish a 51% owned joint venture company (the "**JV Company**"), through its indirect non wholly-owned subsidiary Huayin Biotechnology, with two industry experts to engage in the development and sale of oral care products. Through establishing the JV Company and investment cooperation with the experts, the Group will be able to introduce long-term business partners which can provide strategic support, expertise and technology in the long run, and further strengthen the Group's competitive edges and consolidate its footprint in the healthcare market.

China's market presents considerable opportunities for growth as general public is aware of their health and aging issue especially after experiencing COVID-19. The Group will continue to enhance its "new retail" model by integrating online-to-offline ("**O2O**") sales and marketing strategies in its healthcare business to cross-refer its customers from online platforms to physical stores, thereby laying a solid foundation and boosting sales both online and offline. The Group is confident to tap further into the rapidly developing healthcare industry, and look forward to bringing this business as one of the major income streams of the Group.

China's latest decision to make e-cigarettes subject to the same monopoly requirements as traditional, combustible cigarettes dampened the sentiment of the e-cigarette business, but somehow provided a clearer picture for the future regulatory requirement. Considering China's status as the biggest tobacco market, it should have presented enormous potential to continue the current rapid growth, but the regulatory woes prevent the industry players from aggressive business planning and investment. While the prospect of the e-cigarette business remains uncertain in the near term, the Group will closely monitor the industry environment and regularly fine-tune its business strategy so as to generate the best return for shareholders.

## FINANCIAL REVIEW

### Consolidated results of operations

For the nine months ended 31 December 2021, the Group recorded a revenue of approximately HK\$130.6 million (2020: approximately HK\$137.2 million), which decreased by approximately 4.8% compared with the corresponding period of last year mainly because no revenue was recognized from Japanese curry restaurants under the trade name of Shirokuma Curry for the Reporting Period which was disposed in late September 2020.

Loss attributable to owners of the Company was approximately HK\$11.5 million (2020: profit of approximately HK\$6.7 million). Such loss was mainly due to the combined effect of (i) decrease in other income as no wage subsidies under the Employment Support Scheme launched by the government of the Hong Kong Special Administrative Region (the “HKSAR”) and subsidies from the Anti-epidemic Fund from the government of the HKSAR were received and recognized as other income during the Reporting Period while subsidies in the sum of approximately HK\$14.3 million was recorded as other income for the Group’s business activities carried out in Hong Kong during the corresponding period last year; (ii) the Group recognized an one-off unaudited gain of approximately HK\$1.9 million from the disposal of subsidiaries for the operation of Japanese curry restaurants under the trade name of Shirokuma Curry in late September 2020; and (iii) increase in operating expenses as the Group commenced full operation of its new healthcare business at the beginning of 2021, and has put some financial resources to develop this new segment.

The gross profit margin of the Group was 57% (2020: 60%). The decrease in ratio was mainly attributable to the increase in costs of food ingredients.

Total operating expenses for the nine months ended 31 December 2021 decreased by approximately 3.6% to approximately HK\$84.4 million (2020: approximately HK\$87.5 million). It was generally in line with the decrease in revenue and also resulted from exercising stringent cost control during the Reporting Period.

### EVENTS AFTER THE REPORTING PERIOD

#### Share consolidation

On 11 January 2022, every eight (8) issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company were consolidated into one (1) ordinary share of HK\$0.08 each in the share capital of the Company and the authorized share capital of the Company became HK\$50,000,000 divided into 625,000,000 shares of HK\$0.08 each, of which 520,771,875 consolidated Shares are in issue (the “**Share Consolidation**”). For details, please refer to the announcement of the Company dated 3 December 2021 and the circular of the Company dated 21 December 2021.

## **Adjustments in relation to the convertible bonds**

Reference is made to the Company's announcements dated 28 June 2012, 8 July 2015, 10 July 2015, 15 August 2018 and 13 August 2021 and the circulars of the Company dated 30 July 2012 and 25 July 2015 in relation to, among other things, the issue of the convertible bonds and the extension of the maturity date of the convertible bonds.

Pursuant to the terms and conditions of the convertible bonds, the conversion price of the outstanding convertible bonds has been adjusted from the initial conversion price of HK\$0.07 per conversion share to HK\$0.56 per conversion share as a result of the Share Consolidation. There will be 71,428,571 consolidated Shares to be issued upon the full conversion of the aggregate outstanding convertible bonds. The above adjustment to the conversion price has been reviewed by PKF Hong Kong Limited, being the auditor of the Company. The adjustment took effect on 11 January 2022.

Save for the adjustments above, all other terms and conditions of the outstanding Convertible Bonds remain unchanged.

## **Investment cooperation agreement**

On 27 January 2022 (after trading hours of the Stock Exchange), Huayin Biotechnology, an indirect non-wholly owned subsidiary of the Company, entered into the Investment Cooperation Agreement with Zhongke Youkang Biotechnology and Kehong Biotechnology, pursuant to which, subject to the terms and conditions of the Investment Cooperation Agreement, (i) Huayin Biotechnology, Zhongke Youkang Biotechnology and Kehong Biotechnology, agreed to form a joint venture company (the "**JV Company**") which will be owned as to 51%, 45% and 4% by Huayin Biotechnology, Zhongke Youkang Biotechnology and Kehong Biotechnology, respectively; and (ii) Huayin Biotechnology will contribute to the JV Company by way of cash contribution of RMB15 million. The JV Company will become a subsidiary of the Group upon its formation.

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

During the nine months ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS, SHORT POSITIONS AND LONG POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY**

As at 31 December 2021, so far as the Directors were aware, none of the Directors and the chief executives of the Company had any interest, short position or long position in any shares (the "**Shares**"), underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**") (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests, short positions and long positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS, SHORT POSITIONS AND LONG POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2021, according to the register kept by the Company pursuant to section 336 of the SFO, so far as the Directors were aware, the following persons (other than the Directors or chief executives of the Company) had, or were deemed or taken to have, an interest, a short position or a long position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO:

### Long positions in shares and underlying shares of the Company

Name of shareholders	Capacity in which interests are held	Number of shares held	Number of underlying shares held	Total number of Shares and underlying shares held	Approximate percentage of the Company's issued voting shares (Note 4) %
Oceanic Fortress Holdings Limited (Note 1)	Beneficial owner	2,375,096,529	–	2,375,096,529	57.01
Ms. Huang Li (Note 1)	Interest of corporation controlled by Ms. Huang Li	2,375,096,529	–	2,375,096,529	57.01
Mr. Tang Sing Ming Sherman (Note 2)	Beneficial owner	–	571,428,571	571,428,571	13.72
Ms. Ho Ming Yee (Note 3)	Interest of a substantial shareholder's spouse	–	571,428,571	571,428,571	13.72

#### Notes:

- (1) The ordinary Shares are held by Oceanic Fortress Holdings Limited, which is wholly-owned by Ms. Huang Li.
- (2) Mr. Tang Sing Ming Sherman holds the convertible bonds in respect of the outstanding principal amount of HK\$40,000,000, under which a total of 571,428,571 ordinary Shares of the Company would be issued upon full exercise of the conversion rights attaching thereto. Upon full conversion of the convertible bonds, Mr. Tang Sing Ming Sherman would hold 571,428,571 ordinary Shares, representing approximately 13.72% of the issued voting Shares of the Company as at 31 December 2021.
- (3) Ms. Ho Ming Yee is the spouse of Mr. Tang Sing Ming Sherman, and is therefore deemed to be interested in the same number of Shares held by Mr. Tang Sing Ming Sherman.
- (4) Based on 4,166,175,000 ordinary Shares of the Company in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, so far as the Directors were aware, the Directors were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or a short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## SHARE OPTIONS

### Share Option Schemes

The Company has adopted share option schemes on 26 February 2003 and 20 July 2012 (collectively, the “**Share Option Schemes**”).

The purpose of the Share Option Schemes is to provide the participants with an opportunity to acquire equity interests in the Company, thus providing them with an incentive to continue contributing to the success of the Company.

Subject to the terms of the Share Option Schemes, the committee (the “**Committee**”) which was authorized and charged by the Board with the administration of the Share Option Schemes may, at any time, offer to grant to any employee, agent, consultant or representative of the Company or any of its subsidiaries, including any executive or non-executive Director of the Company or any subsidiary of the Company who, the Committee may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his or her performance and/or years of service, or is regarded as valuable human resources of the Group based on his or her work experience, knowledge in the industry and other relevant factors, options to subscribe for such number of shares as the Committee may determine at the exercise price. The terms of the Share Option Schemes are in accordance with the provisions of Chapter 23 of GEM Listing Rules.

The maximum number of shares to be issued in respect of which options may be granted (together with shares in respect of which options are then outstanding under the Share Option Schemes or any other schemes of the Company) under the Share Option Schemes shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time.

The maximum entitlement for any one participant (including exercised, cancelled and outstanding options) granted or to be granted in any twelve months period shall not exceed 1% of the total number of shares in issue, provided that options may be issued in excess of such limit if the new grant exceeding 1% of the total number of shares in issue shall have been approved by shareholders of the Company in a general meeting at which the proposed grantee and his associates shall have abstained from voting.

Options may be exercised in whole or in part in the manner provided in the Share Option Schemes by a grantee (or, as the case may be, by his or her legal personal representative) giving notice in writing to the Company after it has vested at any time during the period, which shall be not more than ten years from the date an option is offered (the “**Offer Date**”). No performance target is required to be reached by the participant before any option can be exercised.

A sum of HK\$1 is payable by the participant on acceptance of the option offer.

The exercise price for the shares (the “**Exercise Price**”) in relation to options to be granted under the Share Option Schemes shall be determined by the Committee and notified to a participant and shall be at least the higher of:

- (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on the Offer Date; and
- (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the Offer Date,

provided that the Exercise Price shall not be lower than the nominal value of the shares.

No share option was granted, exercised, lapsed or cancelled during the Reporting Period (2020: Nil) and as at 31 December 2021 (2020: Nil), there was no outstanding share option.

## **COMPETING INTERESTS**

As at 31 December 2021, none of the Directors, the controlling shareholders or their respective associates (as defined in the GEM Listing Rules) had any interests in any business which competed with or might compete with the business of the Group or had any other conflicts of interests with the Group.

## **AUDIT COMMITTEE**

The Company has established an Audit Committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company’s draft annual, interim and quarterly financial reports and accounts and to provide advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. As at 31 December 2021, the Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Yee Ping Michael, Mr. Yang Haiyu and Mr. Zeng Shiquan.

Up to the date of approval of the Group’s unaudited results for the nine months ended 31 December 2021, the Audit Committee had held three meetings and had reviewed the draft quarterly report and accounts for the nine months ended 31 December 2021 prior to recommending such report and accounts to the Board for approval.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

Throughout the nine months ended 31 December 2021, the Company adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Company’s Directors complied with such required standard of dealings and its code of conduct regarding directors’ securities transactions.

## **CORPORATE GOVERNANCE**

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the nine months ended 31 December 2021.

By order of the Board  
**StarGlory Holdings Company Limited**  
**Huang Chao**  
*Chairman and executive Director*

Hong Kong, 10 February 2022

*As at the date of this report, the Company's executive Directors are Mr. Huang Chao and Mr. Wu Xiaowen; and the independent non-executive Directors are Mr. Chan Yee Ping Michael, Mr. Yang Haiyu and Mr. Zeng Shiquan.*

*This report will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Listed Company Information" page for at least 7 days from the day of its posting and on the website of the Company at [www.stargloryhcl.com](http://www.stargloryhcl.com).*