StarGlory Holdings Company Limited
榮暉控股有限公司

(formerly known as New Wisdom Holding Company Limited 新智控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8213)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

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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.

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This announcement, for which the directors (the "Directors") of StarGlory Holdings Company 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.

RESULTS

The board of directors (the "Board") of the Company hereby announces the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 March 2019 (the "Reporting Period"), together with the comparative audited consolidated figures for the corresponding year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	*2*	**251,792**	305,543
Cost of sales		**(87,249)**	(103,075)
Gross profit		**164,543**	202,468
Other income	*3*	**3,788**	2,349
Impairment loss on goodwill		**(55,095)**	–
Impairment loss on other intangible assets		**–**	(995)
Impairment loss on plant and equipment		**(79)**	(5,888)
Gain on modification of convertible bonds		**1,390**	–
Operating expenses		**(183,220)**	(227,558)
Operating loss		**(68,673)**	(29,624)
Finance costs	*4(a)*	**(6,689)**	(4,638)
Loss before income tax	*4*	**(75,362)**	(34,262)
Income tax expense	*5(a)*	**(1,363)**	(4,521)
Loss for the year		**(76,725)**	(38,783)
Loss for the year attributable to:–			
Owners of the Company		**(75,916)**	(37,687)
Non-controlling interests		**(809)**	(1,096)
		(76,725)	(38,783)
Loss per share *(HK cents)*	*6*		
– Basic		**(1.82)**	(0.94)
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019	2018
	HK$'000	*HK$'000*
Loss for the year	**(76,725)**	(38,783)
Other comprehensive income/(loss):–		
Item that may be subsequently reclassified to profit or loss:–		
Exchange gain/(loss) arising from translation of financial statements of foreign operations	**591**	(617)
Other comprehensive income/(loss) for the year, net of tax	**591**	(617)
Total comprehensive loss for the year	**(76,134)**	(39,400)
Total comprehensive loss for the year attributable to:–		
Owners of the Company	**(75,281)**	(38,348)
Non-controlling interests	**(853)**	(1,052)
	(76,134)	(39,400)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	**2019** **HK$'000**	2018 HK$'000
NON-CURRENT ASSETS			
Plant and equipment		**6,273**	13,699
Goodwill on consolidation		**–**	55,095
Other intangible assets		**11,905**	12,873
Deposits paid for plant and equipment		**628**	–
Deferred tax assets		**915**	1,828
		19,721	83,495
CURRENT ASSETS			
Inventories		**2,693**	4,602
Debtors, deposits and prepayments	*7*	**24,744**	32,236
Income tax recoverable		**76**	132
Cash and cash equivalents	*8*	**122,249**	108,059
		149,762	145,029
DEDUCT:–			
CURRENT LIABILITIES			
Convertible bonds		**–**	39,805
Bank loans, secured		**–**	5,140
Creditors, accruals and deposits received	*9*	**161,246**	170,375
Contract liabilities		**823**	–
Income tax payable		**1,227**	718
		163,296	216,038
NET CURRENT LIABILITIES		**(13,534)**	(71,009)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Note	**2019** **HK$'000**	2018 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,187**	12,486
NON-CURRENT LIABILITIES			
Loan from the ultimate holding company	*10*	**30,000**	–
Convertible bonds		**38,959**	–
Deferred tax liabilities		**–**	249
Creditors, accruals and deposits received	*9*	**2,617**	1,492
		71,576	1,741
NET (LIABILITIES)/ASSETS		**(65,389)**	10,745
REPRESENTING:–			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		**41,662**	41,662
Reserves		**(103,780)**	(28,499)
		(62,118)	13,163
NON-CONTROLLING INTERESTS		**(3,271)**	(2,418)
TOTAL EQUITY		**(65,389)**	10,745

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	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 1.4.2017	27,775	(253,346)	173,887	3,801	(742)	1,390	(143)	(47,378)	(1,366)	(48,744)
Rights Issue	13,887	–	86,101	–	–	–	–	99,988	–	99,988
Share issuing expenses	–	–	(1,099)	–	–	–	–	(1,099)	–	(1,099)
Comprehensive loss										
Loss for the year	–	(37,687)	–	–	–	–	–	(37,687)	(1,096)	(38,783)
Other comprehensive loss:–										
Exchange (loss)/gain arising from translation of financial statements of foreign operations	–	–	–	–	(661)	–	–	(661)	44	(617)
Total comprehensive loss for the year	–	(37,687)	–	–	(661)	–	–	(38,348)	(1,052)	(39,400)
At 31.3.2018 and 1.4.2018	41,662	(291,033)	258,889	3,801	(1,403)	1,390	(143)	13,163	(2,418)	10,745
Comprehensive loss										
Loss for the year	–	(75,916)	–	–	–	–	–	(75,916)	(809)	(76,725)
Other comprehensive loss:–										
Exchange gain/(loss) arising from translation of financial statements of foreign operations	–	–	–	–	635	–	–	635	(44)	591
Total comprehensive loss for the year	–	(75,916)	–	–	635	–	–	(75,281)	(853)	(76,134)
At 31.3.2019	**41,662**	**(366,949)**	**258,889**	**3,801**	**(768)**	**1,390**	**(143)**	**(62,118)**	**(3,271)**	**(65,389)**

Notes:

1. BASIS OF PREPARATION

(a) Compliance with Hong Kong Financial Reporting Standards

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations ("HK(IFRIC) – Int") 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. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

(b) Initial application of HKFRSs

In the current year, the Group initially applied the following new and revised HKFRSs:–

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
Amendments to HKAS 40	Transfers of Investment Property
Annual Improvements to HKFRSs (2014–2016)	Amendments to HKFRS 1 and HKAS 28

The Group had to change its accounting policies following the adoption of HKFRS 9 and HKFRS 15. For details, please refer to note 1(d). The other amendments listed above did not have material impact on the Group's consolidated financial statements for the current or prior years.

(c) HKFRSs in issue but not yet effective

The following HKFRSs in issue at 31 March 2019 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 April 2018:–

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendments, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs (2015–2017)	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 *Effective for annual periods beginning on or after 1 April 2019*
2 *Effective for annual periods beginning on or after 1 April 2021*
3 *Effective for annual periods beginning on or after a date to be determined*

Except for HKFRS 16, all other new and revised standards in issue but not yet effective are not likely to have material impact on the Group's consolidated financial statements.

The Group's assessment of the impact of HKFRS 16 is set out below:–

HKFRS 16 "Leases"

HKFRS 16 is effective for annual periods beginning on or after 1 April 2019, with early adoption permitted for entities that adopt HKFRS 15 at or before the date of the initial adoption of HKFRS 16. The Group currently plans to adopt HKFRS 16 initially on 1 April 2019.

HKFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases (i.e. where the lease term is 12 months or less) and leases of low-value assets. Lessor accounting remains similar to the current standard. So far, the most significant impact identified is that the Group will recognize new assets and liabilities for its operating leases. In addition, the nature of expenses related to those leases will change as HKFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16. Therefore, the cumulative effect (if any) of initial application will be recognized as an adjustment to the opening balance of equity at 1 April 2019, with no restatement of comparative information. At 31 March 2019, the Group's future minimum lease payments under non-cancellable operating leases amounted to approximately HK$38,012,000, mainly for properties, the majority of which is payable either within 1 year or after 1 year but within 5 years as at the end of reporting period. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be all adjusted, after taking account the effects of discounting, at 1 April 2019.

Other than the recognition of lease liabilities and right-of-use assets for its operating leases, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have an impact on the Group's consolidated financial statements from 1 April 2019 onwards.

(d) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

HKFRS 9 "Financial Instruments"

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities.

Classification and measurement

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The adoption of HKFRS 9 did not have material impact on the classification and measurement of the Group's financial assets and liabilities.

Impairment of financial assets

The Group has two main types of financial assets that are subject to HKFRS 9's new expected credit loss ("ECL") model:–

– Trade debtors; and

– Other financial assets measured at amortised costs (including cash and cash equivalents, and other debtors).

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology is as follows:

Trade debtors

The Group applies HKFRS 9 simplified approach to measuring ECLs which uses a lifetime ECL allowance for all trade debtors.

To measure the ECLs, trade debtors have been grouped based on shared credit risk characteristics and the days past due.

The Group has assessed the ECL model applied to the trade debtors at 1 April 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

The adoption of ECL model under HKFRS 9 did not have material impact on allowance for impairment of trade debtors calculated under HKAS 39.

Other financial assets measured at amortised cost

Other financial assets at amortised cost include other debtors. The Group has applied the ECL model to other debtors at 1 April 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, there was no identified impairment loss.

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 establishes a comprehensive framework for recognizing revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts. HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

There is no significant impact on the Group's financial position and financial results upon initial application at 1 April 2018. Comparative information continues to be reported under HKASs 11 and 18.

Timing of revenue recognition

Previously, revenue from sale of goods was generally recognized at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:–

– When the customer simultaneously receives and consumes the benefits provided by the Group's performance, as the Group performs;

– When the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– When the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the contract terms and the Group's activities do not fall into any of these 3 situations, then under HKFRS 15 the Group recognizes revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs. The adoption of HKFRS 15 does not have a significant impact on the Group's financial position and results of operation for the period. There is also no material impact to the Group's accumulated losses at 1 April 2018.

Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognized only if the Group has an unconditional right to consideration. If the Group recognizes the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognized when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognizes the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. To reflect this change in presentation, contract liabilities, including receipts in advance from customers, with amount of approximately HK$823,000 (at 1 April 2018: approximately HK$911,000 included in other creditors) are now separately presented in the consolidated statement of financial position at 31 March 2019, as a result of the adoption of HKFRS 15.

(e) Adoption of the going concern basis

When preparing the consolidated financial statements, the Group's ability to continue as a going concern has been assessed. The consolidated financial statements have been prepared by the Directors on going concern basis notwithstanding that the Group incurred a loss of HK$76,725,000 for the year ended 31 March 2019 and as of that date, the Group had net current liabilities and net liabilities of HK$13,534,000 and HK$65,389,000 respectively as the Directors considered that:–

(1) Ms. Huang Li ("Ms. Huang"), being the sole beneficial owner and director of the ultimate holding company, will provide continuing financial support to the Group; and

(2) On 19 June 2019, the lender of other loans signed a memorandum of loans with a subsidiary of the Company (the "Borrower"), pursuant to which the repayment date of the outstanding other loans balance of approximately HK$124,059,000 as at 19 June 2019 was extended from 22 June 2019 to 22 June 2020.

After taking into consideration of above factors and funds expected to be generated internally based on the Directors' estimation on the 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 consolidated financial statements 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, net of discounts and value-added tax, during the year. An analysis of the revenue recorded for the year is set out below:–

	2019	2018
	HK$'000	*HK$'000*
Revenue from customers and recognized at a point in time		
– Provision of food and beverage services and others	**251,792**	305,543

3. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Interest income	**1,411**	11
Service fee income	**1,282**	1,310
Franchise fee income	**1,020**	631
Reversal on provision of reinstatement costs	**–**	85
Miscellaneous items	**75**	312
	3,788	2,349

4. LOSS BEFORE INCOME TAX

	2019	2018
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging/(crediting):–		
(a) Finance costs:–		
Interest expenses on secured bank loans, repayable within five years	**91**	469
Interest expense on other loans	**1,398**	338
Interest expense on convertible bonds	**799**	800
Interest expense on loan from the ultimate holding company	**1,416**	–
Imputed interest expense on convertible bonds	**544**	480
Finance charge on obligations under finance lease	**–**	2
Other bank charges	**2,441**	2,549
	6,689	4,638
(b) Other items:–		
Amortization of other intangible assets	**1,004**	1,067
Depreciation	**8,560**	16,406
Auditor's remuneration	**854**	896
Exchange (gain)/loss	**(205)**	185
Operating lease rentals for properties	**59,339**	70,130
Directors' remuneration	**1,020**	1,020
Other staff salaries and benefits	**73,559**	89,116
Retirement scheme contributions	**2,977**	3,965
Other staff costs	**76,536**	93,081
Cost of inventories sold	**87,249**	103,075
Loss on disposal of plant and equipment	**1,122**	1,470

5. INCOME TAX EXPENSE

(a) Taxation in the profit or loss represents:–

	2019	2018
	HK$'000	*HK$'000*
Current tax	**632**	427
Deferred tax	**731**	4,094
Income tax expense	**1,363**	4,521

(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 BVI.

(ii) The Company's subsidiaries incorporated/established in Hong Kong, the People's Republic of China ("PRC") and Taiwan are subject to Hong Kong Profits Tax, PRC Enterprise Income Tax and Taiwan Profit-Seeking-Enterprise Income Tax at the rates of 16.5%, 25% and 17% respectively (2018: Hong Kong – 16.5%, PRC – 25% and Taiwan – 17% respectively).

(b) The income tax for the year can be reconciled to the loss before income tax for the year as follows:–

	2019	2018
	HK$'000	*HK$'000*
Loss before income tax	**(75,362)**	(34,262)
Tax effect at the Hong Kong profits tax rate of 16.5% (2018: 16.5%)	**(12,435)**	(5,653)
Tax rates differential	**318**	1,468
Tax effect of income that is not taxable	**(515)**	(4)
Tax effect of expenses that are not deductible	**9,615**	1,833
Tax effect of unused tax losses not recognized	**4,400**	6,942
Tax refund	**(20)**	(65)
Income tax expense	**1,363**	4,521

(c) The components of unrecognized deductible temporary differences in certain subsidiaries of the Company were as follows:–

(i) The unutilized tax losses accumulated in the Hong Kong subsidiaries of the Company amounted to approximately HK$63,667,000 (2018: approximately HK$49,373,000) can be carried forward indefinitely. The unutilized tax losses accumulated in PRC subsidiaries amounted to approximately HK$61,585,000 (2018: approximately HK$57,512,000) can be carried forward for five years. The unutilized tax losses accumulated in Taiwan subsidiary amounted to approximately HK$8,912,000 (2018: approximately HK$6,424,000) can be carried forward for ten years. Deductible temporary differences have not been recognized owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences.

(ii) Pursuant to the Corporate Income Tax Law of the PRC and its implementation rules, the gross amount of dividends received by the Company's subsidiary incorporated in Hong Kong from its PRC subsidiaries in respect of their profits generated since 1 January 2008 is subject to withholding tax at a rate of 5%. Under the Caishui (2008) No. 1, the undistributed profits of the PRC subsidiaries as at 31 December 2007 determined based on the relevant PRC tax rules and regulations are exempted from withholding tax. Since the Group can control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, no deferred tax liability was provided as no profit is expected to be distributed by the PRC subsidiaries in the foreseeable future. As at 31 March 2019, the undistributed profits of the PRC subsidiaries amounted to approximately HK$3,835,000 (2018: approximately HK$3,538,000). The corresponding unrecognized deferred tax liabilities were amounted to approximately HK$191,800 (2018: approximately HK$176,900).

6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$75,916,000 (2018: HK$37,687,000) and the weighted average number of ordinary shares of 4,166,175,000 (2018: 4,002,695,000 ordinary shares) in issue during the year ended 31 March 2019.

The weighted average number of ordinary shares adopted in calculation of basic loss per share for the year ended 31 March 2018 had been adjusted after taking into account of the Rights Issue which was completed on 14 June 2017.

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 31 March 2019 and 2018.

7. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments comprise:–

	2019	2018
	HK$'000	*HK$'000*
Trade debtors	**3,975**	6,056
Less: loss allowance	**(478)**	(478)
	3,497	5,578
Rental and utility deposits	**18,201**	23,641
Prepayments	**1,688**	1,843
Other debtors	**1,358**	1,174
	24,744	32,236

(a) Loss allowance

Loss allowance in respect of trade debtors is recorded using loss allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the loss allowance is written off against trade debtors.

Movements of loss allowance for trade debtors are as follows:–

	2019	2018
	HK$'000	*HK$'000*
At the beginning and end of the year	**478**	478

(b) Aging analysis

The trading terms with the Group's customers are mainly on cash and credit card settlements, except for well established corporate customers who entitled credit term of 30-60 days. For credit card settlements, the banks normally settle the balances within 2-3 days. The following was an aging analysis of trade debtors, which included outstanding balances for credit card settlements based on the invoice date (net of loss allowance), at the end of reporting period:–

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**3,452**	4,698
31 – 60 days	**7**	662
61 – 90 days	**1**	70
91 – 180 days	**37**	148
	3,497	5,578

(c) Trade debtors that are not impaired

The aging analysis of trade debtors that are not considered to be impaired was as follow:–

	2019	2018
	HK$'000	*HK$'000*
Neither past due nor impaired	**3,401**	4,698
Past due but not impaired:–		
1 – 30 days	**58**	662
31 – 60 days	**1**	141
61 – 90 days	**37**	77
	96	880
	3,497	5,578

Trade debtors that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Trade debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no loss allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade debtors. To measure the expected credit losses, these debtors have been grouped based on shared credit risk characteristics and the aging from billing.

8. CASH AND CASH EQUIVALENTS

	2019	2018
	HK$'000	*HK$'000*
Cash and bank balances	**122,249**	108,059

As at 31 March 2019, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK$3,558,000 (2018: approximately HK$3,244,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

9. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

Creditors, accruals and deposits received comprise:–

	Note	2019 HK$'000	2018 HK$'000
Trade creditors		**12,976**	21,208
Accruals and provisions		**15,869**	21,476
Other creditors		**13,018**	12,467
Other loans	*(a)*	**122,000**	116,716
		163,863	171,867
Less: classified in non-current liabilities	*(b)*	**(2,617)**	(1,492)
Classified in current liabilities		**161,246**	170,375

Notes:–

(a) Other loans of approximately HK$119,267,000 (2018: approximately HK$113,789,000) as at 31 March 2019, which was unsecured, carried interest rate at 0.1% per month since 1 January 2018 and repayable on 22 June 2019. The remaining amounts are interest-free and unsecured. On 19 June 2019, the lender of other loans signed a memorandum of loans with the Borrower, pursuant to which the repayment date of the outstanding other loans balance of approximately HK$124,059,000 as at 19 June 2019 was extended from 22 June 2019 to 22 June 2020.

(b) The amounts included amount due to the ultimate holding company of approximately HK$1,416,000, which was unsecured, interest-free and repayable on 25 April 2020. It was fully and early settled on 12 June 2019.

The following was an aging analysis, based on invoice date, of trade creditors:–

	2019 HK$'000	2018 HK$'000
0 – 30 days	**5,296**	8,892
31 – 60 days	**5,703**	9,510
61 – 90 days	**357**	868
91 – 180 days	**327**	1,432
Over 180 days	**1,293**	506
	12,976	21,208

10. LOAN FROM THE ULTIMATE HOLDING COMPANY

The loan from the ultimate holding company was unsecured two-year term loan and interest-bearing at the best lending rate as published by the Hongkong and Shanghai Banking Corporation Limited from time to time. The loan was fully and early settled on 12 June 2019.

11. RELATED PARTY AND CONNECTED TRANSACTIONS

Except for loan from the ultimate holding company as disclosed in note 10, the Group had the following material transactions with its related parties as defined in HKAS 24 during the year:–

	Note	2019 HK$'000	2018 HK$'000
Interest expense on loan from the ultimate holding company@	(c)	**1,416**	–

The Group had the following material transactions with its connected person as defined in the GEM Listing Rules during the year:–

		Note	2019 HK$'000	2018 HK$'000
(i)	Interest expense on convertible bonds to Mr. Tang Sing Ming Sherman ("Mr. Tang")*	(a)	**–#**	644
(ii)	Rental expense to Joint Allied Limited**	(b)	**–#**	1,299
(iii)	Interest expenses on loan to the ultimate holding company@	(c)	**1,416**	–

* Mr. Tang resigned as the chairman and executive director of the Company with effect from 8 November 2016 and resigned as a director of all the Company's subsidiaries with effect from 20 January 2017. Mr. Tang was deemed as a connected person of the Group until 19 January 2018 under the GEM Listing Rules.

** Joint Allied Limited is owned by a family trust in which Mr. Tang is one of the beneficiaries.

By virtue of the above, Mr. Tang has ceased to be a connected person of the Company under the GEM Listing Rules since 20 January 2018, and the Group did not record any interest expense on convertible bonds paid to Mr. Tang under the category of "Related Party Transaction and Connected Transaction" for the year ended 31 March 2019.

@ The ultimate holding company is wholly-owned by Ms. Huang.

Notes:–

(a) The interest rate was determined at 2% per annum.

(b) The transaction were entered based on the normal commercial terms.

(c) The interest rate was determined at the best lending rate as published by the Hongkong and Shanghai Banking Corporation Limited from time to time.

The Directors (including the independent non-executive Directors) of the Company have reviewed the above related party and connected transactions and are of the opinion and confirm that these transactions were effected: (i) on normal commercial terms (or better to the Group); (ii) in the ordinary and usual course of the business of the Group; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Key management compensation	**2019**	2018
	HK$'000	*HK$'000*
Fees for key management personnel	**1,020**	1,020
Salaries, allowances and other benefits in kind	**3,365**	3,011
Retirement scheme contributions	**54**	54
	4,439	4,085

12. SEGMENT AND ENTITY-WIDE INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly review by the chief operating decision maker (the Directors) in order to allocation resources to the segment and to assess its performance.

(a) The Group operates in one business unit, and has one reportable and operating segment: food and beverage. Accordingly, the Group does not have any identifiable segment or any discrete information for segment reporting purpose.

(b) Geographical information

	PRC		**Hong Kong/overseas**		**Consolidated**	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**49,352**	64,433	**202,440**	241,110	**251,792**	305,543
Other income	**1,058**	861	**2,730**	1,488	**3,788**	2,349
Total revenue	**50,410**	65,294	**205,170**	242,598	**255,580**	307,892
Non-current assets	**2,593**	4,606	**16,213**	77,061	**18,806**	81,667

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets (excluding deferred tax assets) is based on (i) the physical location of the assets, in the case of plant and equipment (ii) the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and (iii) the location of operation to which they are incurred, in the case of debtors, deposits and prepayments.

(c) Major customers

The Group's customer base is diversified and no revenues from transactions with a single external customer amount to 10% or more of the Group's revenue for the years ended 31 March 2019 and 2018.

13. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

The Board would like to draw the users' attention that the Company's external auditor, without qualifying their opinion, has included the "Material Uncertainty Related to Going Concern" paragraph in the independent auditor's report in the consolidated financial statements of the Group for the year ended 31 March 2019.

Attention to note 1(e) above has been drawn by the Company's external auditor which indicates that the Group incurred a net loss of HK$76,725,000 for the year ended 31 March 2019 and as of that date, the Group had net current liabilities and net liabilities of HK$13,534,000 and HK$65,389,000 respectively. As stated in note 1(e), these conditions, along with other matters as set forth in note 1(e) above indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Their opinion is not modified in respect of this matter.

14. DIVIDEND

No dividend has been paid or declared by the Company for the years ended 31 March 2019 and 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's audited revenue for the year ended 31 March 2019 amounted to approximately HK$251.8 million (2018: approximately HK$305.5 million), representing a decrease of approximately 17.6% compared with the last financial year. Net loss attributable to owners of the Company increased by approximately HK$38.2 million to approximately HK$75.9 million compared with the last financial year. The increase in net loss was mainly attributable to recognition of impairment loss on goodwill amounted to approximately HK$55.1 million for the Reporting Period. Excluding the recognition of impairment loss on goodwill, the Group recorded a decrease in net loss attributable to owners of the Company for the Reporting Period as compared with last financial year.

INDUSTRY OVERVIEW

During the Reporting Period, uncertainties regarding the trade dispute between China and the United States ("U.S.") continued to undermine the performance of the global economy. The stalemate in trade dialogue between the two economic powerhouses together with the concerns over rising geopolitical tensions in areas such as North Korea and Iran, continued to restrain global economic growth. The ongoing political and economic instability inevitably damaged the confidence of consumers, which also compromised the performance of the food and beverage sector.

On the national level, thanks to the government's efforts in stimulating domestic economy and the breakthroughs in economic reform, China experienced a 6.4% growth in GDP for the first quarter of 2019, beating market expectation. China's economy has been weathering the storm. Government's policies, including tax and fees reduction, encouraged and incentivized domestic consumption. Personal income increased stably, supply-side structural reform was further advanced, whilst the economic transformation and upgrading continued. Therefore, the food and beverage sector continued its growth momentum, making a record-high income of over RMB4 trillion in 2018; making China the second largest food and beverage market in the world. In addition, amid a consumption upgrade, the food and beverage sector is to devote more efforts in enhancing food quality, which arguably improved the sector's ability to generate more income.

On the other hand, Hong Kong economy witnessed severe challenges during the year ended 31 March 2019. As an open and trade-reliant economy, Hong Kong's economic performance was negatively impacted by the ongoing trade war between China and the U.S.; as a result, the city's GDP grew marginally by 0.5% in the first quarter of 2019. While the market was more conservative towards economic outlook, coupled with the ever-increasing prices of food ingredients and rents, the food and beverage industry has been put under operating pressure. As the Group generated most of its income from providing food and beverage services in Hong Kong, the challenging business condition undoubtedly affected the Group's overall performance.

BUSINESS REVIEW

The endless U.S.-China trade negotiation and Brexit both affected the global economy with substantial uncertainty in the financial year under review, local investment and consumption sentiments were therefore sluggish with the rising risks of downturn economy. However the shop rental adjustment to the Group did not response downward correspondingly to the sluggish economy, because the Group's shops are mainly located in those shopping malls operated by large property developers. The food and beverage industry remained competitive and challenging in the year ended 31 March 2019. There has been intense market competition because customers are price sensitive to sales discount and market promotions, and their preferences and consumption patterns are changing rapidly. Enduring challenges result from four tremendous pressures arising from high costs of rental, labour, food and utilities; solving the problem of labour shortage is another daily difficulty. Amid this unfavorable business environment in recent years, we continue to strive for survival and growth, through strengthening our attractiveness to new and old customers and hence retaining loyal customers, by frequent menu revamping and consistent provision of quality food and services.

The Group's food and beverage businesses are a collection of Japanese related concepts in the Greater China region, including the restaurants, café and cake shops under the Japanese brand of Italian Tomato, the Japanese tonkatsu under the brand of Ginza Bairin, the Japanese curry specialty stores under the brand of Shirokuma Curry and the Japanese izakaya under the brand of Enmaru.

Italian Tomato, our major brand of restaurants, café and cake shops, is still a big contributor to the Group's revenue. Through years of effort on product innovation, menu re-engineering and customer relationships, Italian Tomato has already been a well-recognized brand in Hong Kong. The Reporting Period was not a fruitful year to Italian Tomato because 7 cafés and shops were closed due to the expiry of tenancies. Although the result for the Reporting Period in Hong Kong was unsatisfactory, the management still believes that Italian Tomato has a promising future. The last shop in the PRC was closed during the third quarter of the year ended 31 March 2019 because the market environment of food and beverage industry in the PRC was quite vibrant. After a careful consideration on the economy outlook and political stability in Taiwan, the management decided not to renew all the tenancies and closed all 5 shops accordingly in the last quarter of the year ended 31 March 2019. As at 31 March 2019, Italian Tomato has 27 cafés and shops in Hong Kong. The management believes that after years of establishment and presence in Hong Kong, the mainland China and Taiwan, lessons and experience have been accumulated while weaknesses and strengths have been identified, Italian Tomato has reached a breakpoint to conduct a thorough brand repositioning.

There was no material change to Ginza Bairin, the Japanese tonkatsu, during the Reporting Period. 1 shop in Hong Kong was closed upon the expiry of tenancy in the fourth quarter of the Reporting Period. There is 1 shop in Hong Kong and 1 shop in the PRC as at 31 March 2019. Regarding franchise operation, Ginza Bairin has 1 franchise shop operated in the PRC as at the year-end date. On the other side of Taiwan Strait, considering the economy outlook of Taiwan and Ginza Bairin currently has no presence in this region, at the request of the franchisor of Ginza Bairin, the management has returned the franchising right of Taiwan to the franchisor after the year end date.

Shirokuma Curry has been serving its unique taste of curry for a period of time, the management is now collecting feedback from customers and considering the ways to advance the taste, and in the meantime achieving the balance between quality and cost. Due to the expiry of tenancies, Shirokuma Curry closed 2 shops in Hong Kong and 1 shop in the PRC during the Reporting Period, and still maintains 6 shops in the PRC as at the year-end date. Other than the self-operated shops, its franchise network has 4 licensed shops as at 31 March 2019, the management needs more concentration on its quality control as it will be a huge challenge to advance the franchise system. The history of Shirokuma Curry franchise operation is still short and needs times for growth.

Enmaru, the Japanese izakaya, aims to bring the most authentic Tokyo Enmaru experience to food lovers in Hong Kong and the PRC, however, shortage of Japanese staff is a long-term crucial problem to the growth of Enmaru. Due to the expiry of tenancy, Enmaru closed its last shop in the PRC during the Reporting Period and has 1 shop in Hong Kong as at 31 March 2019. The management is reviewing the continuance of shop in Hong Kong as its performance is unsatisfactory. Enmaru could regain its growth if an innovative dining ambiance is created to this brand and the shortage of Japanese staff is solved.

FUTURE PROSPECTS

With the persistence of trade confrontation between China and U.S. a full recovery of the global economy is unlikely to come by in the foreseeable future. Given the economic uncertainties, consumers tend to be more reluctant to spend more, thus worsening the business outlook. As it is still unclear when will China and the U.S. governments put an end to the trade war by eventually settling in a comprehensive trade agreement, it is difficult to fully assess the its possible impacts to the economies of China and Hong Kong.

In China, despite the total income of the food and beverage sector reached new high in 2018, the business environment remains challenging. The low entry barrier to the industry contributed to fiercer competition in this segmented market without any dominant industry players. In Hong Kong, the latest raise in minimum wage will inevitably prompts the labor cost of the food and beverage sector to increase, thus building up unrelenting pressure on operating costs. Fortunately, with more advanced transportation infrastructure projects completed such as the express rail link and Hong Kong-Zhuhai-Macao Bridge, more tourists are expected to visit Hong Kong in the future, thus providing a significant income source to the industry.

In view of the challenging environment of the food and beverage sector, the Group strives to diversify its risks by actively exploring potential business opportunities in the e-cigarette market of China. With around 350 million smokers in China, the market penetration rate of e-cigarette however remains less than 1%, not to mention the current consumption of e-cigarette in China only makes up to roughly RMB4 billion, which shows the huge potential of e-cigarette business in China. To tap the e-cigarette market and grasp these immense opportunities, the Group will develop e-cigarette liquid and e-cigarette cartridge with new ingredients, acquire suitable e-cigarette production lines and set up an extensive sales network, and ultimately build a unique e-cigarette brand. The Group is determined to propel sales of e-cigarette and forge more business cooperation, and will actively participate in trade exhibitions. Aspiring to enhance its competitiveness and emerge in the e-cigarette market, the Group has recently set up a new office in Huizhou, China, which will commence operation in the coming months. The newly established factory is expected to increase the Group's operation efficiency and capacity in e-cigarette business, thus bringing additional income source to the Group.

Looking ahead, the Group will continue to assess its existing operations and financial position to identify the right direction and plan for future development, expand income sources, and ultimately improve the Group's long-term competitiveness, thus creating further value for shareholders and investors.

FINANCIAL REVIEW

Consolidated results of operations

For the Reporting Period, the Group recorded a total revenue of approximately HK$251.8 million (2018: approximately HK$305.5 million), representing a decrease of approximately 17.6% compared with the previous year.

Net loss attributable to owners of the Company was approximately HK$75.9 million (2018: approximately HK$37.7 million).

Gross profit

The gross profit margin from the operations of the Group was approximately 65% (2018: approximately 66%).

Expenses

Total operating expenses for the operations decreased by approximately 19.5% to approximately HK$183.2 million (2018: approximately HK$227.6 million). The decrease was in line with the decrease in revenue, which mainly resulted from the closure of certain shops when leases expired during the year ended 31 March 2019.

Financial resources and liquidity

During the Reporting Period, the Group generally relied on internal funds; loans from the sole beneficial owner of the convertible bonds issued by the Company (who is also a former executive Director of the Company); fund raised from rights issue to finance its operation and loan from the ultimate holding company.

As at 31 March 2019, the Group's current assets amounted to approximately HK$149.8 million (2018: approximately HK$145.0 million) of which approximately HK$122.2 million (2018: approximately HK$108.1 million) was cash and bank deposits, approximately HK$24.7 million (2018: approximately HK$32.2 million) was debtors, deposits and prepayments. The Group's current liabilities amounted to approximately HK$163.3 million (2018: approximately HK$216.0 million), including creditors, accruals and deposits received in the amount of approximately HK$161.2 million (2018: approximately HK$170.4 million).

As at 31 March 2019, the convertible bonds amounted to approximately HK$39.0 million (2018: approximately HK$39.8 million). On 15 August 2018, the Company entered into the supplemental deed with the bondholder pursuant to which the Company and bondholder agreed to extend the maturity date of the convertible bonds for 36 months from the date falling on the sixth anniversary to the ninth anniversary of the date of issue of the convertible bonds. Save and except the amendment to the maturity date pursuant to the supplemental deed, all the terms and conditions of the convertible bonds remain unchanged, valid and in full force. More details regarding the extension of the maturity date of the convertible bond are set out in the announcement of the Company dated 15 August 2018. As a result, it was treated as non-current liabilities in this financial year whereas it was included in current liabilities in last financial year. On 25 April 2018, the Company entered into a loan agreement with the ultimate holding company, Oceanic Fortress Holdings Limited, in respect of providing an unsecured two-year term loan to the Company in the amount of HK$30,000,000 for the purpose of working capital. The loan was classified as non-current liabilities as at 31 March 2019.

The current ratio and quick assets ratio of the Group as at 31 March 2019 were 0.92 and 0.90 respectively (2018: 0.67 and 0.65 respectively). As the Group incurred net liabilities as at 31 March 2019, there is no debt-to-equity ratio, which is expressed as a ratio of total debts less cash and bank balances to total equity, to be calculated. As at 31 March 2018, the debt-to-equity ratio was 10.21. The gearing ratio of the Group, is calculated as total liabilities (being non-current liabilities and current liabilities) over total assets (being non-current assets and current assets) as at the end of the year and multiplied by 100% was 139% (2018: 95%).

Foreign exchange

During the years ended 31 March 2019 and 31 March 2018, the Group conducted commercial transactions in the PRC and Taiwan denominated in Renminbi and New Taiwan Dollar respectively. Fluctuations in exchange rates of Renminbi and New Taiwan Dollar against Hong Kong Dollar could affect the Group's results of operations.

During the year ended 31 March 2019, no hedging transactions or other exchange rate arrangements were made (2018: Nil).

Charges on the Group's assets

No Group's assets which had been pledged or charged as at 31 March 2019 (2018: Nil).

Acquisition, disposal and significant investment held

During the Reporting Period, the Group did not make any material acquisition, disposal nor significant investment (2018: Nil).

Capital commitments

As at 31 March 2019, the Group's outstanding capital commitments were approximately HK$4,280,000 (2018: Nil).

Contingent liabilities

As at 31 March 2019, the Group did not have material contingent liabilities (2018: Nil).

Employees and remuneration policies

As at 31 March 2019, the Group had 304 employees in Hong Kong and the PRC (2018: 459 employees in Hong Kong, the PRC and Taiwan). The remuneration of employees of the Group is determined by reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward of their contributions. Other fringe benefits such as medical subsidies, medical insurance, education/training subsidies and pension fund plans are offered to most employees. In prior years, share options were granted at the discretion of the Board under the terms and conditions of the new share option scheme adopted on 20 July 2012 as well as the previous share option scheme adopted on 26 February 2003. No share option was granted during two years ended 31 March 2019 and 31 March 2018 and as at that dates, there was no outstanding share option.

MANDATORY UNCONDITIONAL CASH OFFERS

References are made to the joint announcements issued by the Company and Oceanic Fortress Holdings Limited (the "Offeror" or "Oceanic Fortress") on 25 April 2018, 16 May 2018, 25 June 2018, 26 June 2018, 25 July 2018, 9 August 2018 and 31 August 2018 and the composite offer and response document dated 19 September 2018 jointly issued by the Company and the Offeror (the "Composite Document") in relation to, among other things, the Share Offer.

On 23 April 2018, the Company was informed by Win Union Investment Limited (the then ultimate holding company of the Company) (the "Vendor" or "Win Union") that, on 23 April 2018, the Offeror entered into the Sale and Purchase Agreement (as defined in the Composite Document) with the Vendor and the Vendor Guarantor (as defined in the Composite Document), pursuant to which the Offeror conditionally agreed to purchase, and the Vendor conditionally agreed to sell an aggregate of 2,172,417,439 shares of the Company (the "Shares"), representing approximately 52.14% of the entire issued share capital of the Company at the Latest Practicable Date (as defined in the Composite Document) (the "Acquisition"). The completion of the Acquisition (the "Completion") took place on 25 April 2018 in accordance with the terms of the Sale and Purchase Agreement (as defined in the Composite Document). The Offeror is an investment holding company incorporated in the BVI with limited liability and is wholly owned by Ms. Huang Li, who is also the sole director of the Offeror.

Following the Completion, the Offeror and the parties acting in concert with it were interested in, held, and/or controlled 2,172,417,439 Shares, representing approximately 52.14% of the then total issued share capital of the Company. Accordingly, pursuant to Rule 26.1 and Rule 13 of the Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong (the "Takeovers Code"), the Offeror was required to make a mandatory unconditional cash offer to acquire all of the issued shares of the Company (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

The Share Offer was closed at 4:00 p.m. on 10 October 2018. Immediately after the close of the Share Offer, the Offeror and parties acting in concert with it were interested in an aggregate of 2,335,586,529 Shares, representing approximately 56.06% of the entire issued share capital of the Company as at 10 October 2018. Details of the results of the Share Offer are set out in the announcement of the Company dated 10 October 2018.

USE OF PROCEEDS FROM THE RIGHTS ISSUE

On 27 April 2017, the Company announced that it proposed to raise approximately HK$100 million, before expenses, by way of allotting and issuing 1,388,725,000 rights shares (the "Rights Shares") by way of rights issue (the "Rights Issue") at the subscription price of HK$0.072 per Rights Shares, on the basis of one (1) Rights Shares for every two (2) existing Shares held on 19 May 2017.

Completion of the Rights Issue took place on 14 June 2017, where an aggregate of 1,388,725,000 Rights Shares, representing approximately 33.33% of the issued share capital of the Company (as enlarged by the allotment and issue of the Rights Shares), have been issued. The aggregate nominal amount of the Rights Shares is HK$13,887,250. A premium of HK$0.062 per Rights Share for cash, the excess of the subscription price over the par value of the shares issued upon the Rights Issue, totalling approximately HK$86,101,000 was credited to the share premium account of the Company.

For more details of the Rights Issue, please refer to the prospectus of the Company dated 22 May 2017 (the "Rights Issue Prospectus") and the announcement of the Company dated 13 June 2017 in relation to the results of the Rights Issue.

Among the net proceeds of the Rights Issue approximately HK$99 million, as at 31 March 2019, approximately HK$5.0 million, HK$13.4 million and HK$1.7 million have been used as operation and expansion of the existing food and beverage business, the Company's corporate expenses and investment in e-cigarette business in the PRC, respectively.

Summary of use of net proceeds

	Original allocation of net proceeds *HK$' million*	**Allocation of the unutilized amount** *HK$' million*	**Actual amount utilized up to 31 March 2019** *HK$' million*	**Unutilized balance as at 31 March 2019** *HK$' million*
Operation and expansion of the existing food and beverage business	29.0	–	(5.0)	24.0
Company's corporate expenses	20.0	–	(13.4)	6.6
Repayment of bank loans	15.0	(15.0)	–	–
Potential investment oppurtunities by acquiring a Chinese restaurant chain; or the use of patent licenses regarding nano electricity generator technology	35.0	–	–	35.0
Investment in, research and development, sales and marketing of e-cigarette in the PRC and overseas countries	–	15.0	(1.7)	13.3
	99.0	–	(20.1)	78.9

As disclosed in the Company's announcement dated 6 November 2018, the Company aims to extend its presence in the PRC market. As e-cigarette has become a global trend over the past few years and given the massive population in the PRC, the Company is optimistic about the continuous growth of the e-cigarette market in the PRC and the business opportunities arising therefrom to the Company. Accordingly, the Company has changed the original allocation of the net proceeds by reallocating HK$15.0 million of the net proceeds originally planned to be applied for the repayment of bank loans to the intended investment in research and development, sales and marketing of e-cigarette in the PRC and overseas countries as described above. In this connection, the Company plans to conduct research on the use new ingredients for producing e-cigarette liquid and e-cigarette cartridge, purchase production lines for manufacturing e-cigarette, and market and sell such products through exploring and developing a sales network, building a new e-cigarette brand, participating into trade fairs and seeking cooperation with external parties.

During the Reporting Period, the Group pursued a prudent yet efficient network expansion strategy and net proceeds amounting to approximately HK$5.0 million had been utilized for operating and expanding existing food and beverage business.

To capture the flourishing opportunities in China's e-cigarette market, the Group strives to strengthen its core competence by establishing its own production line. After thorough consideration, the Group utilized HK$1.7 million of the net proceeds from the Rights Issue to invest in the e-cigarette business in the PRC, including set up Huizhou office and purchase new equipment. With the newly added facilities, the Group is better equipped for future development of the e-cigarette business.

As at 31 March 2019, the Group was still under negotiations for acquiring a Chinese restaurant chain and the use of patent licenses regarding nano electricity generator technology. While we had not entered into any agreements nor memorandum of understanding for any acquisitions, the net proceeds from the Rights Issue for potential investment opportunities purpose were still reserved.

As a result, approximately HK$78.9 million of the net proceeds from the Rights Issue remained unutilized as at 31 March 2019. This remaining balance is kept in the Group's bank accounts.

The Directors will constantly evaluate the Group's business objectives and may change or modify the plans against the changing market condition to suit the business growth of the Group. Further announcement(s), in respect of redeploying the allocation and use of Rights Issue proceeds, if any, will be made in accordance with the requirements of the GEM Listing Rules as and when appropriate to update its shareholders and potential investors.

CHANGE OF COMPANY NAME

Pursuant to the special resolution passed at the extraordinary general meeting of the Company held on 11 March 2019, and approval granted by the Registry of Companies in the Cayman Islands, with effect from 15 March 2019, the English and Chinese names of the Company have been changed from "New Wisdom Holding Company Limited" and "新智控股有限公司" to "StarGlory Holdings Company Limited" and "榮暉控股有限公司" respectively. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 15 April 2019 confirming the registration of the new name of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("Companies Ordinance").

The Board is of the view that a change of company name will help establish a fresh corporate image identity to better reflect the Group's future direction and development.

EVENTS AFTER THE REPORTING PERIOD

Resignation and appointment of executive director

As disclosed in the Company's announcement dated 21 May 2019, with effect from 21 May 2019, Mr. Zheng Hua has resigned as an executive Director and Mr. Wu Xiaowen has been appointed as an executive Director.

Repayment of the loan from the ultimate holding company

The loan from the ultimate holding company of HK$30,000,000 was fully and early settled on 12 June 2019.

Memorandum of loans

On 19 June 2019, the lender of other loans signed a memorandum of loans with the Borrower, pursuant to which the outstanding other loans balance of approximately HK$124,059,000 as at 19 June 2019 will be repayable by the Borrower on 22 June 2020.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 31 March 2019, so far as the Directors were aware, none of the directors and the chief executives of the Company had any interest or short position in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 and short 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 Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2019, 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 whose interests are disclosed above) had, or was deemed or taken to have, 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:

Long positions in Share

Name of shareholders	Capacity in which interests were held	Number of Shares held	Number of underlying shares held	Total number of Shares and underlying shares	Approximate percentage of interest in issued capital
Oceanic Fortress *(Note 1)*	Beneficial owner	2,335,586,529	–	2,335,586,529	56.06
Ms. Huang Li *(Note 1)*	Interest of corporation controlled by Ms. Huang Li	2,335,586,529	–	2,335,586,529	56.06
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, the entire issued shares of which is 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 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 share capital of the Company as at 31 March 2019.

(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 March 2019.

Save as disclosed above, as at 31 March 2019, so far as the Directors were aware, the Directors were not aware of any person (other than the Directors whose interests are disclosed above) 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 who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or had any options in respect of such capital.

SHARE OPTIONS

No share option was granted during two years ended 31 March 2019 and 31 March 2018 and as at those dates, there was no outstanding share option.

COMPETING INTERESTS

As at 31 March 2019, none of the Directors, the controlling shareholders or their respective close 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 had established an Audit Committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The Audit Committee comprised of three independent non-executive Directors, namely Mr. Chan Yee Ping Michael, Mr. Deng Guozhen and Mr. Zeng Shiquan. Mr. Chan Yee Ping Michael currently serves as the chairman of the Audit Committee and he possess the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules. Mr. Chan Yee Ping Michael, being the independent non-executive Director, possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules.

Up to the date of approval of the Group's unaudited results for the year ended 31 March 2019, the Audit Committee had held four meetings and had reviewed the draft report and accounts for the year ended 31 March 2019 prior to recommending such report and accounts to the Board for approval.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the financial year ended 31 March 2019, 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 have 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 year ended 31 March 2019 save as the deviation from Code Provisions A.6.7 of the Corporate Governance Code as follows.

Code Provision A.6.7 stipulates that independent non-executive directors should attend general meetings. Mr. Deng Guozhen and Mr. Zeng Shiquan, the independent non-executive Directors, were absent from the extraordinary general meeting of the Company held on 11 March 2019 due to other prior or unexpected important engagements. The independent non-executive Directors will endeavor to attend all future general meetings of the Company unless unexpected or special circumstances preventing them from doing so. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision-making processes are properly regulated.

SCOPE OF AUDITOR'S WORK ON ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in the preliminary annual results announcement have been agreed by the Company's auditor, PKF Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PKF Hong Kong 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PKF Hong Kong Limited on the preliminary annual results announcement.

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

Hong Kong, 25 June 2019

As at the date of this announcement, 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. Deng Guozhen and Mr. Zeng Shiquan.

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and the website of the Company at www.starglor yhcl.com.