

StarGlory Holdings Company Limited
榮暉控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8213)

INTERIM REPORT
FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2020

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*This report, 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 report 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 report misleading.*

**FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2020**

Consolidated revenue of the Company and its subsidiaries (collectively the “**Group**”) was approximately HK\$88.2 million for the six months ended 30 September 2020, representing a decrease of approximately 3.7% compared with approximately HK\$91.6 million recorded in the corresponding period last year.

Profit attributable to owners of the Company was approximately HK\$5.2 million for the six months ended 30 September 2020 while loss attributable to owners of the Company of approximately HK\$8.2 million was recorded in the corresponding period last year.

INTERIM RESULTS

The board of Directors (the “Board”) of the Company hereby announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2020, together with the comparative unaudited consolidated figures for the corresponding period last year:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the six months ended 30 September 2020

	Note	For the six months ended 30 September		For the three months ended 30 September	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	2	88,198	91,567	46,844	46,798
Cost of sales		(34,132)	(33,826)	(18,162)	(17,566)
Gross profit		54,066	57,741	28,682	29,232
Other income		10,923	2,033	6,589	959
Gain on disposal of subsidiaries	3	1,893	–	1,893	–
Operating expenses		(57,992)	(64,924)	(30,408)	(32,499)
Operating profit/(loss)		8,890	(5,150)	6,756	(2,308)
Finance costs	4(a)	(2,839)	(2,763)	(1,406)	(1,174)
Profit/(loss) before income tax	4	6,051	(7,913)	5,350	(3,482)
Income tax expense	5	(878)	(449)	(771)	(626)
Profit/(loss) for the period		5,173	(8,362)	4,579	(4,108)
Profit/(loss) for the period attributable to:					
Owners of the Company		5,240	(8,171)	4,628	(4,024)
Non-controlling interests		(67)	(191)	(49)	(84)
		5,173	(8,362)	4,579	(4,108)
Profit/(loss) per share (HK cents)	6				
– Basic		0.13	(0.20)	0.11	(0.10)
– Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 September 2020

	For the six months ended 30 September		For the three months ended 30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period	5,173	(8,362)	4,579	(4,108)
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss:				
Exchange (loss)/gain arising from translation of financial statements of foreign operations	(126)	1,215	(303)	615
Total comprehensive income/(loss) for the period	5,047	(7,147)	4,276	(3,493)
Total comprehensive income/(loss) for the period attributable to:				
Owners of the Company	5,114	(6,936)	4,324	(3,399)
Non-controlling interests	(67)	(211)	(48)	(94)
	5,047	(7,147)	4,276	(3,493)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	As at 30 September 2020 (Unaudited) <i>HK\$'000</i>	As at 31 March 2020 (Audited) <i>HK\$'000</i>
<i>Note</i>		
NON-CURRENT ASSETS		
Plant and equipment	4,350	5,555
Goodwill on consolidation	–	–
Other intangible assets	8,377	8,743
Right-of-use assets	15,592	32,534
Deposits paid for plant and equipment	583	579
Deferred tax assets	813	331
	<u>29,715</u>	<u>47,742</u>
CURRENT ASSETS		
Inventories	2,391	2,413
Debtors, deposits and prepayments	19,645	19,486
Income tax recoverable	–	76
Cash and cash equivalents	86,341	82,552
	<u>108,377</u>	<u>104,527</u>
DEDUCT:		
CURRENT LIABILITIES		
Convertible bonds	39,607	–
Creditors and accruals	154,164	158,772
Contract liabilities	706	770
Leased liabilities	8,189	21,851
Income tax payable	1,609	1,058
	<u>204,275</u>	<u>182,451</u>
NET CURRENT LIABILITIES	<u>(95,898)</u>	<u>(77,924)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2020

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
<i>Note</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES	(66,183)	(30,182)
NON-CURRENT LIABILITIES		
Creditors and accruals	8	944
Lease liabilities	14,678	17,662
Convertible bonds	-	39,387
	14,678	57,993
NET LIABILITIES	(80,861)	(88,175)
REPRESENTING:		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	41,662	41,662
Reserves	(122,562)	(129,507)
	(80,900)	(87,845)
NON-CONTROLLING INTERESTS	39	(330)
TOTAL EQUITY	(80,861)	(88,175)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2020

	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 1.4.2019 (audited)	41,662	(366,949)	258,889	3,801	(768)	1,390	(143)	(62,118)	(3,271)	(65,389)
Comprehensive loss										
Loss for the period	-	(8,171)	-	-	-	-	-	(8,171)	(191)	(8,362)
Other comprehensive income:										
Exchange gain/(loss) arising from translation of financial statements of foreign operations	-	-	-	-	1,235	-	-	1,235	(20)	1,215
Total comprehensive loss for the period	-	(8,171)	-	-	1,235	-	-	(6,936)	(211)	(7,147)
At 30.9.2019 (unaudited)	41,662	(375,120)	258,889	3,801	467	1,390	(143)	(69,054)	(3,482)	(72,536)
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
Comprehensive income/(loss)										
Profit/(loss) for the period	-	5,240	-	-	-	-	-	5,240	(67)	5,173
Other comprehensive loss:										
Exchange loss arising from translation of financial statements of foreign operations	-	-	-	-	(126)	-	-	(126)	-	(126)
Total comprehensive income/(loss) for the period	-	5,240	-	-	(126)	-	-	5,114	(67)	5,047
At 30.9.2020 (unaudited)	41,662	(387,756)	258,889	3,801	1,097	1,390	17	(80,900)	39	(80,861)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

	For the six months ended 30 September	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	15,985	(5,395)
NET CASH USED IN INVESTING ACTIVITIES	(1,786)	(1,189)
NET CASH USED IN FINANCING ACTIVITIES	<u>(10,224)</u>	<u>(30,205)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,975	(36,789)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	82,552	122,249
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	<u>(186)</u>	<u>(319)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>86,341</u>	<u>85,141</u>

ANALYSIS OF CASH AND CASH EQUIVALENTS

	As at 30 September 2020 <i>HK\$'000</i>	As at 30 September 2019 <i>HK\$'000</i>
Cash and bank balances	<u>86,341</u>	<u>85,141</u>

Notes:

1. BASIS OF PREPARATION

- (a) These unaudited condensed consolidated interim results have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” 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 the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

These unaudited condensed consolidated interim results should be read in conjunction with the consolidated financial statements for the year ended 31 March 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

These unaudited condensed consolidated interim results have been prepared in accordance with the same accounting policies adopted in the 2020 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 2020. 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 interim results and amounts reported for the current period and prior periods.

These condensed consolidated financial statements have been prepared under the historical cost convention.

(b) Adoption of the going concern basis

When preparing the unaudited condensed consolidated interim results, the Group’s ability to continue as a going concern has been assessed. These unaudited condensed consolidated interim 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\$95,898,000 and HK\$80,861,000 respectively as at 30 September 2020 as the Directors considered that:

- (1) Ms. Huang Li, being the sole beneficial owner and director of the ultimate holding company will provide continuing financial support to the Group; and
- (2) On 16 June 2020, 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 balance of approximately HK\$123,387,000 as at 16 June 2020 was extended from 22 June 2020 to 22 June 2021.

After taking into consideration of the 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 interim 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, net of discounts and value-added tax, during the period. An analysis of the revenue recorded for the period is set out below:

	For the six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from customers and recognized at a point in time		
– Provision of food and beverage services and others	88,198	91,567

3. GAIN ON DISPOSAL OF SUBSIDIARIES

During the six months ended 30 September 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:

	(Unaudited)
	HK\$'000
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)
	<hr/>
Net liabilities disposed of	(863)
Release of exchange reserve	1,671
Release of other reserve	160
	<hr/>
	968
Non-controlling interests	436
Gain on disposal of subsidiaries	1,893
	<hr/>
Total consideration	3,297
	<hr/> <hr/>
Net cash inflow arising on the disposal:	
– Cash consideration received	3,297
– Cash and bank balances disposed of	(2,541)
	<hr/>
	756
	<hr/> <hr/>

4. PROFIT/(LOSS) BEFORE INCOME TAX

	For the six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss) before income tax is arrived at after charging:		
(a) Finance costs:		
Interest expense on other loans	714	733
Interest expense on loan from the ultimate holding company	–	205
Interest expense on convertible bonds	400	400
Imputed interest expense on convertible bonds	220	283
Interest expense on lease liabilities	636	222
Other bank charges	869	920
	<u>2,839</u>	<u>2,763</u>
(b) Other items:		
Amortization of other intangible assets	370	44
Depreciation of plant and equipment	1,520	1,512
Depreciation of right-of-use assets	11,648	3,334
	<u>11,648</u>	<u>3,334</u>

5. INCOME TAX EXPENSE

Taxation in the profit or loss represents:

	For the six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax	358	600
Deferred tax	520	(151)
	<u>878</u>	<u>449</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 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 (2019: Hong Kong – 16.5% and PRC – 25%).

6. PROFIT/(LOSS) PER SHARE

The calculation of basic profit/(loss) per share for all periods presented is based on profit attributable to owners of the Company of approximately HK\$5,240,000 (2019: loss of approximately HK\$8,171,000) and the weighted average number of ordinary shares of 4,166,175,000 (2019: 4,166,175,000 ordinary shares) in issue during all periods.

Diluted profit/(loss) per share has not been disclosed as no dilutive potential equity shares are in existence as at 30 September 2020 and 2019.

7. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments comprise:

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Trade debtors	4,568	3,336
Less: loss allowance	<u>(478)</u>	<u>(478)</u>
	4,090	2,858
Rental and utility deposits	11,941	14,234
Prepayments	414	1,347
Other debtors	<u>3,200</u>	<u>1,047</u>
	<u>19,645</u>	<u>19,486</u>

(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:

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
At the beginning and end of the year	<u>478</u>	<u>478</u>

(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 are entitled to a 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 invoice date (net of loss allowance), at the end of reporting period:

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
0 – 30 days	3,832	2,845
31 – 60 days	42	9
61 – 90 days	50	3
91 – 180 days	104	1
181 – 365 days	62	–
	<u>4,090</u>	<u>2,858</u>

(c) **Trade debtors that are not impaired**

The aging analysis of trade debtors that were not considered to be impaired was as follows:

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Neither past due nor impaired	<u>3,832</u>	<u>2,845</u>
Past due but not impaired:		
1 – 30 days	42	9
31 – 60 days	50	2
61 – 90 days	104	2
91 – 180 days	62	–
	<u>258</u>	<u>13</u>
	<u>4,090</u>	<u>2,858</u>

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, the 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. CREDITORS AND ACCRUALS

Creditors and accruals comprise:

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Trade creditors	9,370	9,820
Accruals and provisions	13,913	14,276
Other creditors	13,181	11,593
Other loans - <i>Note 8(a)</i>	117,700	124,027
	<hr/>	<hr/>
	154,164	159,716
Less: classified in non-current liabilities	-	(944)
	<hr/>	<hr/>
Classified in current liabilities	154,164	158,772
	<hr/> <hr/>	<hr/> <hr/>

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

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
0 – 30 days	5,422	4,623
31 – 60 days	2,747	3,064
61 – 90 days	34	1,017
91 – 180 days	53	679
Over 180 days	1,114	437
	<hr/>	<hr/>
	9,370	9,820
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) Other loans of approximately HK\$115,000,000 as at 30 September 2020 (31 March 2020: HK\$121,479,000) were unsecured and carried interest rate at 0.1% per month and repayable on 22 June 2020. The remaining amounts are interest-free and unsecured. On 16 June 2020, the lender of 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\$123,387,000 as at 16 June 2020 was extended from 22 June 2020 to 22 June 2021. The remaining amounts are repayable on demand.

Interest payable to the lender of approximately HK\$3,909,000 (31 March 2020: approximately HK\$3,201,000) is included in other creditors.

9. RELATED PARTY AND CONNECTED TRANSACTIONS

The Group had the following related party and connected transactions under the GEM Listing Rules during the period:

The Group had the following material transactions with its related parties as defined in HKAS 24 and connected person as defined in the GEM Listing Rules during the period:

	Note	For the six months ended 30 September	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
(i) Interest expense on loan from the ultimate holding company#	(a)	—	205
		<u> </u>	<u> </u>

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

Note:

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

Key management compensation

	For the six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Fees for key management personnel	510	510
Salaries, allowances and other benefits in kind	1,663	1,717
Retirement scheme contributions	27	27
	<u> </u>	<u> </u>
	<u>2,200</u>	<u>2,254</u>

10. SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the Directors) in order to allocate 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	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue from external customers	11,859	20,238	76,339	71,329	88,198	91,567
Other revenue	178	583	10,745	1,450	10,923	2,033
Total revenue	12,037	20,821	87,084	72,779	99,121	93,600

	PRC		Hong Kong/overseas		Consolidated	
	At 30 September 2020 (Unaudited) HK\$'000	At 31 March 2020 (Audited) HK\$'000	At 30 September 2020 (Unaudited) HK\$'000	At 31 March 2020 (Audited) HK\$'000	At 30 September 2020 (Unaudited) HK\$'000	At 31 March 2020 (Audited) HK\$'000
	Non-current assets	2,159	8,258	26,743	39,153	28,902

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 operation to which they are allocated, in the case of intangible assets, right-of-use-assets and goodwill, and (iii) the location of operation to which they are incurred, in the case of deposits paid.

(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 six months ended 30 September 2020 and 2019.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 September 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's unaudited revenue for the six months ended 30 September 2020 (the "**Reporting Period**") amounted to approximately HK\$88.2 million (2019: approximately HK\$91.6 million), representing a decrease of approximately 3.7% compared with the same period of the last financial year.

Industry Overview

During the Reporting Period, global economy began to bounce back from novel coronavirus ("**COVID-19**") pandemic, with over 80% of countries lifting the lockdowns partially or wholly. However, as an effective vaccine has not yet been developed, unemployment rates around the world remained far above the pre-crisis levels. Furthermore, as the tension between the world's two largest economies escalated, the market remained anxious towards the prospects of the global economy. The weak market sentiment inevitably dragged down the performance of both the catering sector and the retail sector.

In regard to the domestic market, the rebound in China's economic activities remained strong, reaching 80% of the level before the pandemic. Due to the positive retail sales records and blooming manufacturing activities, China recorded a 4.9% GDP growth in the third quarter. As for the catering industry, the sector's revenue decreased by 29.6% year-on-year to about RMB1.8 trillion in the first seven months of 2020, due to the outbreak of COVID-19. According to 2020 China Catering Industry Big Data White Paper, the work resumption rate of large-scale catering enterprises reached a much higher than average value at 60%, while 73% of catering companies had a work resumption rate of less than 10%, indicating that sizeable catering companies performed remarkably better in terms of recovery.

During the Reporting Period, due to the border control and stringent social distancing measures implemented by the Hong Kong government, foot traffic for retail shopping and dining plunged amid the COVID-19 outbreak, taking a heavy toll on both retail and catering industries. According to Census and Statistics Department, the value of total receipts of the restaurant sector in the second quarter of 2020, provisionally estimated at \$21.2 billion, decreased by 25.9% over a year earlier. On a positive note, the immense demand on delivery and takeaway services gradually offset the impact of weak market sentiment. Coupled with the easing of social distancing restrictions, the catering industry began to improve. Mr. Simon Wong Ka-wo, President of Hong Kong Federation of Restaurants & Related Trades Limited indicated that the catering industry in Hong Kong has been steadily recovering, and the business turnover for the catering sector was satisfactory considering the constraints faced by the eateries.

In the past years, the Chinese government issued a series of policies, including but not limited to the implementation of “Healthy China 2030”, “New Drug Administration Law” and “Opinions on Deepening the Reform of the Medical Insurance System”, to support the next era of healthcare transformation. Capitalizing on the favorable policies, the healthcare industry grew at a consistently rapid rate over the past five years. In 2019, China’s healthcare market reached RMB7.82 trillion, representing a 10% increase when compared to the previous year.

On the other hand, the tightened regulations of varying extents introduced by the Chinese government and regulatory authorities in different countries mitigate the potential health risks caused by the usage of e-cigarette. The COVID-19 had a negative impact on consumers’ purchasing power for e-cigarette products, and has further impinged on the growth of the industry, particularly in China. Therefore, the e-cigarette industry is no longer seen as conspicuous.

Business Review

The world is now fighting against an invisible enemy “COVID-19”, the global economy is plummeting, food and beverage industry is the first industry being victimized by those anti COVID-19 measures. However, we do agree that the business market should concentrate on cooperation rather than competition in this critical period of time. Thank you for the encouragement, support and patience from our loyal customers and suppliers, and diligent staffs, with the aid from the government, the Group’s food and beverage business achieved a sustainable result for the Reporting Period.

During the Reporting Period, the Group’s food and beverage businesses are a collection of Japanese related concepts in Hong Kong and mainland China, including the restaurants, café and cake shops under the Japanese brand of Italian Tomato, the Japanese tonkatsu under the brand of Ginza Bairin and the Japanese curry specialty stores under the brand of Shirokuma Curry.

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. After years of establishment and presence in Hong Kong, lessons and experience have been accumulated while weaknesses and strengths have been identified. While confronting the pandemic of COVID-19 during the Reporting Period, product range and shop number have made slight progress, more seasonal products launched and 1 cake shop opened in the prime commercial location in Hong Kong. The management is prudently optimistic to the future performance of Italian Tomato. As at 30 September 2020, there are 6 cafés and 22 cake shops in Hong Kong.

Ginza Bairin, the Japanese tonkatsu, has 1 shop in Hong Kong as at 30 September 2020. Because a small but steady population of tonkatsu lover is addicted to Ginza Bairin's taste, the Hong Kong shop is still doing fine during the Reporting Period. The PRC shop was closed in the last financial year due to the expiry of tenancy, while the management is searching for shop location to regain its presence in the PRC, the management is also experiencing difficulties on its product pricing and market positioning. There is no indication whether Ginza Bairin would re-appear in the PRC market soon at this moment.

Shirokuma Curry has been serving its unique taste of curry for a period of time, however, the outbreak of COVID-19 has brought certain disruptions to the food and beverages industry, and has changed people's dining habit to take away food and food delivery. This has brought big difficulties to Shirokuma Curry and resulted in the decline of business, as the food served by the restaurants of Shirokuma Curry tastes better when dining in. Besides the upcoming expiry of the initial term of the exclusive license of Shirokuma Curry in Asia (excluding Japan) granted to the Group, the management expects much effort and resources may be required for achieving a breakthrough and there is slim chance that Shirokuma Curry would be able to turn loss into profit in the short run. In response to the offer made by the licensor, the Group disposed of its Shirokuma Curry business to the licensor in September 2020 and recorded an unaudited gain of approximately HK\$1.9 million in this Reporting Period.

In respect of the e-cigarettes business, due to ever-intensifying restrictions on e-cigarettes, the Group has to put extra effort to manage and mitigate the risks arising from the latest laws and regulations which are unfavorable to the business development. After careful consideration, during the Reporting Period, the Group decided to call a halt to the investment in the e-cigarette business to counteract the risk.

In order to diversify the development strategies, expand the business portfolio and broaden the revenue base of the Group in view of the rising uncertainties of the food and beverage market brought by the outbreak of the COVID-19 epidemic since early 2020, we incorporated a new wholly-owned subsidiary in the PRC in late January 2020 to explore new business opportunities in the medical and healthcare industries to capture the increasing healthcare awareness and growing demand for medical service in China.

In July 2020, StarGlory Enterprise Management (Shenzhen) Company Limited (“**StarGlory Enterprise Management**”), the Group’s indirect wholly-owned subsidiary entered into an Operational Service Agreement with Huayin (Shenzhen) Biotechnology Co., Ltd (“**Huayin Biotechnology**”), pursuant to which StarGlory Enterprise Management will provide management and sales services to Huayin Biotechnology for three years. As of the date of this report, approximately HK\$2.8 million, which was originally reserved for the e-cigarette business, was reallocated to the investment in medical and healthcare business. Together with internal generated funds amounted to approximately HK\$2.8 million, up to 30 September 2020, approximately HK\$5.6 million has been invested in medical and healthcare business. Although the new business has not generated revenue thus far, relevant preparation including but not limited to brand building, market research and product development were in good progress. In addition to establishing a new office to support the daily operations, the Group has also been doubling its efforts in recruiting experts and enhancing its sales network, so as to expedite the progress of new business development and lay a solid foundation for its future business model. The Group is confident that the new business will help expand the Group’s business portfolio and broaden its revenue base, thereby achieving fruitful returns for shareholders and investors against prevalent operating challenges.

Future Prospects

According to International Monetary Fund, a full global economic recovery is unlikely until an effective vaccine is made available. In consideration of the recent surging cases and reimposition of lockdown measures in multiple countries, the global market outlook is expected to be highly challenging and uncertain in the near future.

In China, according to 2020 China Catering Industry Big Data White Paper, the steady and positive trend of China’s catering industry is expected to remain unchanged. According to the National Bureau of Statistics of China, the revenue of the catering industry is expected to reach RMB6 trillion in 2022, indicating the enormous potential of the sector. With e-commerce being an inextricable part of the domestic catering industry nowadays, there is an acute need for catering companies to upgrade their business model via digitalization and social commerce. It is also believed that the Chinese food delivery industry will achieve high growth and profitability when the citizens increasingly rely on food delivery services.

With regard to the local market, due to the social distancing restrictions, the growing trend of dining at home has gathered momentum, driving demand for delivery and takeaway services. Meanwhile, due to the recurring COVID-19 outbreak, travel restrictions are expected to extend and rebound in tourism industry is unlikely in the foreseeable future, subsequently causing a continued shift of the sector’s focus towards local consumption. It is worth noting that there have been raising concerns over a resurgence of the epidemic in winter, which may lead to more stringent anti-epidemic rules, thereby bringing in new challenges to the catering industry.

Overall, the Group remains prudent in the catering market situation. The Group will continue to strategically enhance its takeaway business by working closely with leading third-party food delivery platforms and offering discounts. The rapid development of the takeaway business assists the Group to gather customer data, which in turn helps the Group make prompt and effective adjustment on menus and marketing campaigns. Looking ahead, the Group will continue to optimize its anti-pandemic measures in restaurants and closely monitor the consumers' behavior to refine its sales efforts in a timely manner, in hopes of satisfying customers' demands and providing them with outstanding dining experience.

Due to the pandemic, healthcare reform and rising demand for healthcare services and products has become the key driver of China's medical and healthcare market. To grasp the flourishing opportunities ahead, the Group will strive to establish closer business partnership with third parties such as beauty salons, hospitals and pharmacies, with the aim of laying the sales groundwork and establishing the brand identity in the domestic market. Building upon our success in the food and beverage industry, it is predicted that this new business will broaden the Group's revenue and improve business flexibility in the near future.

FINANCIAL REVIEW

For the six months ended 30 September 2020, the Group recorded revenue of approximately HK\$88.2 million (2019: approximately HK\$91.6 million), which decreased by approximately 3.7% compared with the corresponding period last year resulted from the closure of certain under-performing restaurants shops when leases expired or disposal of under-performing brand through disposal of subsidiaries and affected by the social gathering restrictions in relation to catering business as required by the government of Hong Kong as a result of COVID-19 epidemic.

Profit attributable to owners of the Company was approximately HK\$5.2 million (2019: loss of approximately HK\$8.2 million). Loss attributable to owners of the Company substantially decreased and turned into a profit attributable to owners of the Company during the Reporting Period. This was mainly because (i) there was a decrease in the number of under-performing restaurants as the Group has reviewed the performance of restaurants and consolidated under-performing restaurants to further enhance the structure and reduce unnecessary expenses since the financial year ended 31 March 2020; (ii) the Group received subsidies from the Anti-epidemic Fund from the government of the Hong Kong Special Administrative Region recorded as other income in the sum of approximately HK\$9.7 million for the Group's business activities carried in Hong Kong during the Reporting Period; and (iii) the Group recognised 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.

The gross profit margin of the Group was 61% (2019: 63%). The decrease in ratio was mainly attributable to the increase in costs of food ingredients and offering discounts on takeaway meals in order to reduce the impact of COVID-19 outbreak on the revenue.

Total operating expenses decreased by approximately 10.7% to approximately HK\$58.0 million (2019: approximately HK\$65.0 million). It was in line with the decrease in revenue and also resulted from the closure of certain under-performing restaurants which further enhanced the structure and reduced unnecessary expenses.

Financial Resources and Liquidity

As at 30 September 2020, the Group's current assets amounted to approximately HK\$108.4 million (31 March 2020: approximately HK\$104.5 million) of which approximately HK\$86.3 million (31 March 2020: approximately HK\$82.6 million) was cash and bank deposits, approximately HK\$19.6 million (31 March 2020: approximately HK\$19.5 million) was debtors, deposits and prepayments. The Group's current liabilities amounted to approximately HK\$204.3 million (31 March 2020: approximately HK\$182.5 million), including creditors and accruals in the amount of approximately HK\$154.2 million (31 March 2020: approximately HK\$158.8 million). On 15 August 2018, the Company entered into the second supplemental deed with the bondholder pursuant to which the Company and the bondholder agreed to extend the maturity date of the Convertible Bond (as defined in the announcement of the Company dated 15 August 2018) for 36 months from the date falling on the sixth anniversary of the date of issue of the convertible bonds, being 15 August 2018, to 15 August 2021. As such, the Convertible Bonds (as defined in the announcement of the Company dated 15 August 2018) amounting to approximately HK\$39.6 million which was classified as current liabilities as at 30 September 2020 while approximately HK\$39.4 million was classified as non-current liabilities as at 31 March 2020.

Current ratio and quick assets ratio were 0.53 and 0.52 respectively (31 March 2020: 0.57 and 0.56 respectively). As the Group incurred net liabilities as at 30 September 2020 and 31 March 2020 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. 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 159% (31 March 2020: 158%).

Foreign Exchange

During both periods for the six months ended 30 September 2020 and 2019, the Group conducted commercial transactions in the PRC denominated in Renminbi. Fluctuation in exchange rates of Renminbi against Hong Kong Dollar could affect the Group's results of operations.

During the Reporting Period, no hedging transaction or other exchange rate arrangements were made (2019: Nil).

Charges on the Group's Assets

Except for the assets pledged as security for obligations under finance lease at 30 September 2020, no assets of the Group had been pledged or charged as at 30 September 2020 and 31 March 2020.

Acquisition, disposal and significant investment held

On 23 September 2020, Marvel Success Limited (a wholly-owned subsidiary of the Company), as the seller, and Shirokuma & Co., the licensor of Shirokuma Curry, as the purchaser, entered into an agreement for the transfer of (i) the entire issued share capital of Townsman Limited; and (ii) the shareholder's loan (being the total book value of the shareholder's loan due to Marvel Success Limited by Townsman Limited) at an aggregate consideration of JPY45,000,000 (equivalent to approximately HK\$3.3 million). Upon completion, the seller and the Group will cease to hold any interest in Townsman Limited. The transaction was a discloseable transaction under the GEM Listing Rules. For further details, please refer to the announcement dated 23 September 2020. Save as disclosed above, the Group did not carry out other significant acquisition or disposal of subsidiaries and associates during the Reporting Period.

Save as disclosed in the section headed "Use of Proceeds From the Rights Issue" on page 23 to 24 of this interim report, the Group did not have any specific future plans for material investments or capital assets as at 30 September 2020.

Capital Commitments

As at 30 September 2020, the Group's outstanding capital commitments were approximately HK\$3,221,000 (31 March 2020: approximately HK\$3,221,000).

Contingent Liabilities

As at 30 September 2020 and 31 March 2020, the Group did not have any material contingent liabilities.

Save as disclosed above, during the six months ended 30 September 2020 and 2019, there was no on-going financial exposure to borrowers or other on-going matters of relevance as defined in Rules 17.22 to 17.24 of the GEM Listing Rules.

Employees and Remuneration Policies

As at 30 September 2020, the Group had 227 employees in Hong Kong and the PRC (31 March 2020: 275 employees in Hong Kong and the PRC). 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 reward for their contributions. Other fringe benefits such as medical subsidies, medical insurance, education/training subsidies, pension fund plans are offered to most employees. Share options are granted at the discretion of the Board and under the terms and conditions of the share option schemes adopted on 26 February 2003 and 20 July 2012.

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 Share, on the basis of one (1) Rights Share for every two (2) existing Shares held on 19 May 2017. Completion of the Rights Issue took place on 14 June 2017.

Among the net proceeds (the “**Net Proceeds**”) of the Rights Issue of approximately HK\$99 million, as at 30 September 2020, approximately HK\$12.2 million, approximately HK\$20.0 million, approximately HK\$2.9 million and approximately HK\$2.8 million have been used as operation and expansion of the existing food and beverage business, the Company’s corporate expenses, investment in e-cigarette business in the PRC and investment in medical and healthcare business, respectively. As at 30 September 2020, approximately HK\$61.1 million of the Net Proceeds remained unutilised and this remaining balance was kept in the Group’s bank account. Set out below is the breakdown of the use of the Net Proceeds up to, and the balance thereof as at 30 September 2020:

Summary of use of Net Proceeds

	Re-allocation of the unutilized amount as disclosed in the Company’s announcement dated		Actual amount utilized up to 31 March 2020	Re-allocation of the unutilized amount during the 6 months ended		Actual amount utilized up to 30 September 2020	Unutilized balance as at 30 September 2020
	Original allocation of the Net Proceeds	6 November 2018		30 September 2020	30 September 2020		
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Operation and expansion of the existing food and beverage business	29.0	-	(9.0)	20.0	-	(12.2)	16.8
Company’s corporate expenses	20.0	-	(18.9)	1.1	-	(20.0)	-
Repayment of bank loans	15.0	(15.0)	-	-	-	-	-
Potential investment opportunities	35.0	-	-	35.0	-	-	35.0
Investment in, research and development, sales and marketing of e-cigarette in the PRC and overseas countries	-	15.0	(2.9)	12.1	(2.8)	(2.9)	9.3
Investment in medical and healthcare business	-	-	-	-	2.8	(2.8)	-
	<u>99.0</u>	<u>-</u>	<u>(30.8)</u>	<u>68.2</u>	<u>-</u>	<u>(37.9)</u>	<u>61.1</u>

During the Reporting Period, the Group pursued a prudent yet efficient network expansion strategy and up to 30 September 2020, Net Proceeds amounting to approximately HK\$12.2 million had been utilized for operating and expanding existing food and beverage business and the unutilized balance of approximately HK\$16.8 million allocated for this purpose is expected to be fully utilized by 31 July 2021.

As at 30 September 2020, approximately HK\$20.0 million has been used as the Company’s corporate expenses.

The Group has been aiming to expand its existing food and beverage business and continued to identify suitable acquisition targets during the Reporting Period. However, taking into account the uncertain business environment arising from the COVID-19 outbreak, the Group adapted a relatively prudent approach in such business expansion. In order to weather the headwinds, the Group endeavored to explore potential acquisition opportunities in different markets instead of only focusing on the negotiation talk with a Chinese restaurant chain. While the Group had not entered into any agreements nor memorandum of understanding for any acquisitions, the Net Proceeds for potential investment opportunities purpose were still reserved and the unutilized balance of approximately HK\$35.0 million allocated for this purpose is expected to be fully utilized by 31 July 2021. The actual timeline will be subject to the availability of appropriate acquisition target, market condition and time required for performing due diligence work. As of the date of this report, the Board has not identified any suitable acquisition target.

As disclosed in the Company's announcement dated 6 November 2018, 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. In this connection, the Company plans to conduct research on the use of 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. Up to 30 September 2020, the Group utilized approximately HK\$2.9 million of the Net Proceeds from the Rights Issue to invest in the e-cigarette business in the PRC, including setting up Huizhou office and purchasing new equipment.

In recognition of the growing importance of medical and healthcare services and products, the Group strives to grasp the prosperous opportunities in the domestic market, thereby strengthening its core competence through broadening its revenue base. After thorough study and consideration, up to 30 September 2020, approximately HK\$2.8 million of the Net Proceeds from the Rights Issue, which was originally reserved for the e-cigarette business, was utilized to invest in the medical and healthcare business in the domestic market, including brand building, office set-up, expert recruitment and product development. Meanwhile, in light of the uncertainty and restrictions in global e-cigarette market, the Group will remain mindful of the risks and assess the impact of external environment on the e-cigarette business. The remaining unutilized Net Proceeds of approximately HK\$9.3 million will be applied for investment in, research and development, sales and marketing of e-cigarette in the PRC and overseas countries and is expected to be fully utilized by 31 July 2021.

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 Net 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.

EVENTS AFTER THE REPORTING PERIOD

COVID-19 epidemic

The recent outbreak of COVID-19 poses threats to the local economy and the development of such epidemic remains to be highly uncertain, the extent of its impact on the economy of Hong Kong and the PRC is subject to many uncertainties. The outbreak of COVID-19 has impacted the Group's business in Hong Kong and the PRC. The Group will closely monitor and actively react to the developments of COVID-19 to minimize its impacts on the Group's restaurants operations.

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

During the six months ended 30 September 2020, 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 30 September 2020, 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, 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 Rule 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 POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2020, 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 and the Stock Exchange 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	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 of the Company, representing approximately 13.72% of the issued share capital of the Company as at 30 September 2020.
- (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 of the Company held by Mr. Tang Sing Ming Sherman.
- (4) Based on 4,166,175,000 ordinary shares of the Company in issue as at 30 September 2020.

Save as disclosed above, as at 30 September 2020, 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 (the “**Share 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 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 (2019: Nil) and as at 30 September 2020 and 31 March 2020, there was no outstanding share option.

COMPETING INTERESTS

As at 30 September 2020, none of the Directors, the controlling shareholders of the Company 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 (the “**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. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Yee Ping Michael, Mr. Deng Guozhen and Mr. Zeng Shiquan.

Up to the date of approval of the Group’s unaudited results for the six months ended 30 September 2020, the Audit Committee had held two meetings and had reviewed the draft interim report and accounts for the six months ended 30 September 2020 prior to recommending such report and accounts to the Board for approval.

DIRECTORS’ SECURITIES TRANSACTIONS

Throughout the six months ended 30 September 2020, 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 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 six months ended 30 September 2020.

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

Hong Kong, 10 November 2020

As at the date of this report, the 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 report will remain on the GEM website at 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.