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 2019

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FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

Consolidated revenue of the Company and its subsidiaries (collectively the "**Group**") was approximately HK$91.6 million for the six months ended 30 September 2019, representing a decrease of approximately 32.7% compared with approximately HK$136.2 million recorded in the corresponding period last year.

Loss attributable to owners of the Company decreased to approximately HK$8.2 million for the six months ended 30 September 2019 from approximately HK$12.7 million 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 2019, 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 2019

		For the six months ended 30 September		For the three months ended 30 September	
		2019	2018	**2019**	2018
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*3*	**91,567**	136,154	**46,798**	68,825
Cost of sales		**(33,826)**	(44,722)	**(17,566)**	(22,764)
Gross profit		**57,741**	91,432	**29,232**	46,061
Other income		**2,033**	1,390	**959**	901
Operating expenses		**(64,924)**	(101,850)	**(32,499)**	(50,697)
Operating loss		**(5,150)**	(9,028)	**(2,308)**	(3,735)
Finance costs	*4(a)*	**(2,763)**	(3,458)	**(1,174)**	(1,823)
Loss before income tax	*4*	**(7,913)**	(12,486)	**(3,482)**	(5,558)
Income tax	*5*	**(449)**	(671)	**(626)**	(852)
Loss for the period		**(8,362)**	(13,157)	**(4,108)**	(6,410)
Loss for the period attributable to:					
Owners of the Company		**(8,171)**	(12,726)	**(4,024)**	(6,182)
Non-controlling interests		**(191)**	(431)	**(84)**	(228)
		(8,362)	(13,157)	**(4,108)**	(6,410)
Loss per share (HK cents)	*6*				
– Basic		**(0.20)**	(0.31)	**(0.10)**	(0.15)
– Diluted		**N/A**	N/A	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 September 2019

	For the six months ended 30 September		For the three months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the period	**(8,362)**	(13,157)	**(4,108)**	(6,410)
Other comprehensive income:–				
Items that may be subsequently reclassified to profit or loss:–				
Exchange gain arising from translation of financial statements of foreign operations	**1,215**	651	**615**	550
Total comprehensive loss for the period	**(7,147)**	(12,506)	**(3,493)**	(5,860)
Total comprehensive loss for the period attributable to:–				
Owners of the Company	**(6,936)**	(12,050)	**(3,399)**	(5,626)
Non-controlling interests	**(211)**	(456)	**(94)**	(234)
	(7,147)	(12,506)	**(3,493)**	(5,860)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Note	**As at 30 September 2019 (Unaudited)** ***HK$'000***	As at 31 March 2019 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Plant and equipment		**27,574**	6,273
Other intangible assets		**12,023**	11,905
Deposits paid for plant and equipment		**586**	628
Deferred tax assets		**1,957**	915
		42,140	19,721
CURRENT ASSETS			
Inventories		**2,684**	2,693
Debtors, deposits and prepayments	*7*	**21,310**	24,744
Income tax recoverable		**76**	76
Cash and cash equivalents		**85,141**	122,249
		109,211	149,762
DEDUCT:			
CURRENT LIABILITIES			
Creditors, accruals and deposits received	*8*	**159,015**	161,246
Contract liabilities		**739**	823
Leased liabilities		**13,083**	–
Income tax payable		**1,806**	1,227
		174,643	163,296
NET CURRENT LIABILITIES		**(65,432)**	(13,534)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2019

	Note	As at 30 September 2019 (Unaudited) HK$'000	As at 31 March 2019 (Audited) HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**(23,292)**	6,187
NON-CURRENT LIABILITIES			
Loan from the ultimate holding company	*9*	**–**	30,000
Convertible bonds		**39,241**	38,959
Creditors, accruals and deposits received	*8*	**1,201**	2,617
Leased liabilities		**8,802**	–
		49,244	71,576
NET LIABILITIES		**(72,536)**	(65,389)
REPRESENTING:			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		**41,662**	41,662
Reserves		**(110,716)**	(103,780)
		(69,054)	(62,118)
Non-controlling interests		**(3,482)**	(3,271)
TOTAL EQUITY		**(72,536)**	(65,389)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2019

	Attributable to owners of the Company									
	Share capital	**Accumulated losses**	**Share premium**	**Special reserve**	**Exchange reserve**	**Convertible bonds equity reserve**	**Other reserve**	**Total**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1.4.2018 (audited)	41,662	(291,033)	258,889	3,801	(1,403)	1,390	(143)	13,163	(2,418)	10,745
Extension of convertible bonds	–	1,390	–	–	–	346	–	1,736	–	1,736
Comprehensive loss										
Loss for the period	–	(12,726)	–	–	–	–	–	(12,726)	(431)	(13,157)
Other comprehensive income:–										
Exchange gain/(loss) arising from translation of financial statements of foreign operations	–	–	–	–	676	–	–	676	(25)	651
Total comprehensive loss for the period	–	(12,726)	–	–	676	–	–	(12,050)	(456)	(12,506)
At 30.9.2018 (unaudited)	**41,662**	**(302,369)**	**258,889**	**3,801**	**(727)**	**1,736**	**(143)**	**2,849**	**(2,874)**	**(25)**
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)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	For the six months ended 30 September 2019 *HK$'000*	2018 *HK$'000*
NET CASH USED IN OPERATING ACTIVITIES	**(5,395)**	(10,860)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	**(1,189)**	1,251
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	**(30,205)**	24,860
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(36,789)**	15,251
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**122,249**	108,059
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	**(319)**	29
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**85,141**	123,339

ANALYSIS OF CASH AND CASH EQUIVALENTS

	As at 30 September 2019 *HK$'000*	As at 30 September 2018 *HK$'000*
Cash and bank balances	**85,141**	123,339

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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the most recent consolidated financial statements for the year ended 31 March 2019, except for the adoption of the new and revised HKFRSs (which include all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA that are initially adopted for the current period financial statements. Details of these significant accounting policies change are set out in note 2.

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 incurred a loss of approximately HK$8,362,000 for the six months period ended 30 September 2019 and as of that date, the Group had net current liabilities and net liabilities of approximately HK$65,432,000 and HK$72,536,000 respectively 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 19 June 2019, 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$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 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. ADOPTION OF NEW HKFRSs AND AMENDMENTS TO HKFRSs

(1) The Group has initially adopted the following new and revised HKFRSs for the financial period beginning on or after 1 April 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendments, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs (2015-2017)	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The adoption of the new and revised HKFRSs, except as described below, did not have any significant financial impacts on the unaudited condensed consolidated financial statements.

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 "*Leases*" will replace HKAS 17 and three related Interpretations.

Under HKFRS 16, distinctions of operating leases and finance leases are removed for lease accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

As allowed by HKFRS 16, the Group has elected the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases, and has applied the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application, 1 April 2019. The Group has opted the modified retrospective approach for the adoption of HKFRS 16 on 1 April 2019 and recognized the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information will not be restated. Upon the initial adoption of HKFRS 16, the Group recognized and measured the lease liabilities of approximately HK$25,000,000 at the present value of remaining lease payments discounted at the Group's incremental borrowing rate at 1 April 2019 and the corresponding right-of-use assets at the same amount, adjustment by any prepaid or accrued lease payments. Initial direct costs incurred are not included in measuring right-of-use assets at the date of initial application.

The Group's weighted average incremental borrowing rates applied to the lease liabilities recognized at 1 April 2019 is 3.72%.

Based on the allowed practical expedients under HKFRS 16, the Group has elected not to apply the new accounting model to short-term leases and leases of low-value assets, not to perform a full review of existing leases and apply HKFRS 16 only to new contracts and to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease.

(2) The HKICPA has issued certain new and revised HKFRSs. For those which are not yet effective and have not been early adopted in prior and current accounting periods, the Group is in the process of assessing their impact on the Group's results and financial position.

3. 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from customers and recognized at a point in time		
– Provision of food and beverage services and others	**91,567**	136,154

4. LOSS BEFORE INCOME TAX

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging:		
(a) Finance costs: –		
Interests on secured bank loans and overdrafts repayable within five years	**–**	91
Interests on other loans	**733**	688
Interest on loan from the ultimate holding company	**205**	669
Interest expense on convertible bonds	**400**	401
Imputed interest expense on convertible bonds	**283**	267
Interest expense on lease liabilities	**222**	–
Other bank charges	**920**	1,342
	2,763	3,458
(b) Other items: –		
Amortization of other intangible assets	**44**	648
Depreciation of owned assets	**1,512**	4,479
Depreciation of right-of-use assets	**3,334**	–

5. INCOME TAX

Taxation in the profit or loss represents: –

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax	**600**	76
Deferred tax	**(151)**	595
	449	671

(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**") (2018: Hong Kong, PRC and Taiwan) are subject to Hong Kong Profits Tax and PRC Enterprise Income Tax at the rates of 16.5% and 25% respectively (2018: Hong Kong – 16.5%, PRC – 25% and Taiwan – 17%).

6. LOSS PER SHARE

The calculation of basic loss per share for all periods presented is based on loss attributable to owners of the Company of approximately HK$8,171,000 (2018: approximately HK$12,726,000) and the weighted average number of ordinary shares of 4,166,175,000 (2018: 4,166,175,000 ordinary shares) in issue during all periods.

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 30 September 2019 and 2018.

7. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments comprise:

	As at 30 September 2019 (Unaudited) ***HK$'000***	As at 31 March 2019 (Audited) *HK$'000*
Trade debtors	**3,914**	3,975
Less: loss allowance	**(478)**	(478)
	3,436	3,497
Rental and utility deposits	**16,032**	18,201
Prepayments	**1,698**	1,688
Other debtors	**144**	1,358
	21,310	24,744

(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 2019 (Unaudited) ***HK$'000***	As at 31 March 2019 (Audited) *HK$'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 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 2019 (Unaudited) ***HK$'000***	As at 31 March 2019 (Audited) *HK$'000*
0 – 30 days	**3,301**	3,452
31 – 60 days	**75**	7
61 – 90 days	**21**	1
91 – 180 days	**7**	37
181 – 365 days	**32**	–
	3,436	3,497

(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 2019 (Unaudited) ***HK$'000***	As at 31 March 2019 (Audited) *HK$'000*
Neither past due nor impaired	**3,301**	3,401
Past due but not impaired:		
1 – 30 days	**75**	58
31 – 60 days	**21**	1
61 – 90 days	**7**	37
91 – 180 days	**5**	–
181 – 365 days	**27**	–
	135	96
	3,436	3,497

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. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

Creditors, accruals and deposits received comprise:

	As at 30 September 2019 (Unaudited) ***HK$'000***	As at 31 March 2019 (Audited) *HK$'000*
Trade creditors	**12,534**	12,976
Accruals and provisions	**14,613**	15,869
Other creditors	**8,030**	13,018
Other loans - *Note 8 (a)*	**125,039**	122,000
	160,216	163,863
Less: classified in non-current liabilities - *Note 8 (b)*	**(1,201)**	(2,617)
Classified in current liabilities	**159,015**	161,246

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

	As at 30 September 2019 (Unaudited) ***HK$'000***	As at 31 March 2019 (Audited) *HK$'000*
0 – 30 days	**5,382**	5,296
31 – 60 days	**4,710**	5,703
61 – 90 days	**144**	357
91 – 180 days	**132**	327
Over 180 days	**2,166**	1,293
	12,534	12,976

Notes:–

(a) Other loans of approximately HK$122,479,000 as at 30 September 2019 (31 March 2019: HK$119,267,000) was unsecured and carried interest rate at 0.1% per month since 1 January 2018. The remaining amounts are interest-free and unsecured. On 19 June 2019, 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 of approximately HK$124,059,000 as at 19 June 2019 was extended from 22 June 2019 to 22 June 2020. The remaining amounts are repayable on demand.

(b) As at 31 March 2019, 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.

9. 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.

10. RELATED PARTY AND CONNECTED TRANSACTIONS

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

Except for the loan from the ultimate holding company as disclosed in notes 8 and 9, 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:-

		For the six months ended 30 September	
		2019	2018
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
(i) Interest expense on loan from the ultimate holding company#	*(a)*	**205**	–

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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Fees for key management personnel	**510**	510
Salaries, allowances and other benefits in kind	**1,717**	1,750
Retirement scheme contributions	**27**	27
	2,254	2,287

11. 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 For the six months ended 30 September		Hong Kong/overseas For the six months ended 30 September		Consolidated For the six months ended 30 September	
	2019	2018	**2019**	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**20,238**	28,545	**71,329**	107,609	**91,567**	136,154
Other revenue	**583**	369	**1,450**	1,021	**2,033**	1,390
Total revenue	**20,821**	28,914	**72,779**	108,630	**93,600**	137,544

	PRC		Hong Kong/overseas		Consolidated	
	At 30 September 2019	At 31 March 2019	**At 30 September 2019**	At 31 March 2019	**At 30 September 2019**	At 31 March 2019
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets	**1,534**	2,593	**38,649**	16,213	**40,183**	18,806

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 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 six months ended 30 September 2019 and 2018.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 September 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's unaudited revenue for the six months ended 30 September 2019 (the "**Reporting Period**") amounted to approximately HK$91.6 million (2018: approximately HK$136.2 million), representing a decrease of approximately 32.7% compared with the same period of the last financial year. Net loss attributable to owners of the Company decreased by approximately HK$4.6 million to approximately HK$8.2 million as compared with the same period of the last financial year. The decrease was resulted from the closure of certain shops when leases expired and exercise of stringent cost control during the Reporting Period.

Industry Overview

During the Reporting Period, global economy was continuously clouded with uncertainties. Trade dispute between the world's two largest economies, coupled with escalating geopolitical tensions and weaker global sentiments, sounded a warning of potential slowdown in the global economy. Contracted global demand caused a decline in manufacturing output in countries, further hobbling major economies. Annualized growth of the United States' ("**U.S.**") GDP slowed to 2.1% in the second quarter of 2019. In view of the unfavorable environment, the International Monetary Fund lowered the global economic growth forecast for 2019 to a decade-low of 3%, indicating the amplified market anxiety towards the global economy.

In regard to domestic market, owing to the persistent trade wars and weaken global demand, China's GDP growth decelerated to 6% in the third quarter of 2019, its weakest in 27 years. Although the nationwide per capita disposable income of residents surged by 6.5% year-on-year, the consumer sentiments remained sluggish due to intensified bilateral trade war and the vying for technological preeminence between China and the U.S.. As for catering industry, revenue of the industry increased by 9.4% year-on-year to about RMB2.88 trillion in the first eight months of 2019, showing a sector expansion despite the slower economic growth, which came along with changes in customer behavior. According to 2019 China Catering Industry Big Data White Paper, SMEs contributed nearly 80% of the total revenue in China's catering industry. Meanwhile, a report released by market consultancy Mintel reveals that consumers have been increasingly aware of healthy diets and desiring high-quality and more diversified food products, demonstrating the consumption upgrade in China's catering sector.

Hong Kong economy expanded modestly by 0.5% year-on-year in the second quarter of 2019, a slight drop from the 0.6% growth in the preceding quarter. Given that the local market continued to face significant downward pressure including weakened market confidence and sustained social conflicts since June, Financial Secretary Paul Chan Mo-po warned that Hong Kong could slip into a technical recession in the third quarter of 2019. In fact, private consumption expenditure grew only by 1.1% year-on-year in real terms in second quarter of 2019 after a 0.4% increase in the preceding quarter. Moreover, after several countries issued travel alerts to Hong Kong, the number of visitors sharply decreased by nearly 40% year-on-year in August, a traditional peak-season for tourism sector. Faced with restrained consumer spending and reduced tourist arrival, both retail and catering sectors in Hong Kong have been posing to a huge challenge as the sectors suffered losses in revenue. Surveys on the retail and catering sectors also disclosed a double-digit fall in employees' income in recent months. Hong Kong Federation of Restaurants and Related Trades stated that overall revenue of the industry fell more than 35% since June, implying that the catering industry was significantly impacted by economic slowdown in Hong Kong.

China has emerged as the world's most populous tobacco market, with approximately 350 million smokers. E-cigarette, which is generally viewed as being potentially less damaging to health than tobacco, becomes increasingly popular among young Chinese smokers. According to a report by Tsinghua University, e-cigarette sales in China reached RMB33.75 billion in 2018. This fast-growing industry attracted investments. Last year, Chinese e-cigarette companies invested at least RMB1 billion to enhance business development, fostering market growth. However, in July 2019, National Health Commission announced that it was devising legislation to regulate e-cigarette industry, showing that China may enforce stricter scrutiny on e-cigarettes in future.

Business Review

The "Extradition Bill" has been formally withdrawn during the Reporting Period. However, the recent events sparked off by the "Extradition Bill" persists and it seems that no one could tell when the recent events could be ended. During the Reporting Period, the market sentiment in Hong Kong is poor and, in particular, the food and beverage industry is a disaster. Revenue tumbles down severely, but the four major costs of food and beverage operator (namely, rental, labour, food and utilities) do not react in the same direction simultaneously. Amid this critical business environment during the Reporting Period, we could only strive for survival, and growth is inevitably struck out from our agenda temporarily.

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. Although the result for the Reporting Period in Hong Kong was not very satisfactory, the management still believes Italian Tomato has a promising future. A cake shop is opened in Hong Kong during the Reporting Period resulting in 27 cafés and shops in Hong Kong as at 30 September 2019. The moon cake sale during Mid-Autumn Festival this year matches the result of last year without significant improvement. The management believes that after years of establishment and presence in Hong Kong, the PRC and Taiwan, lessons and experience have been accumulated while weaknesses and strengths have been identified, Italian Tomato will reach a breakpoint to conduct a thorough brand repositioning.

Ginza Bairin, the Japanese tonkatsu, has 1 shop in Hong Kong and 1 shop in the PRC as at 30 September 2019. As the PRC shop's tenancy is expiring soon, whether the PRC shop could be continued depends on whether the management could conclude the new tenancy with the landlord. Regarding franchise operation, the franchisee in the PRC surrendered the location to the landlord and its shop was closed during the Reporting Period.

Shirokuma Curry has been serving its unique taste of curry for a period of time, and the management noted that Shirokuma's unique curry is quite welcomed in the Shanghai market. 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. Regarding the self-shop operation, we finally continue the tenancy for a well-performed shop located in a large department store in Shanghai, Shirokuma Curry has 6 shops in the PRC as at 30 September 2019. Other than the self-operated shops, its franchise network has 2 licensed shops as at 30 September 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 to 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 the last shop in Hong Kong during the Reporting Period. The management is now discussing the development plan of Enmaru with its franchisor.

To capture business opportunities in e-cigarette industry, the Group continued its investment on expanding its China's e-cigarette business concurrently with the existing food and beverage business. To facilitate the business development of this new business sector, new equipment was added to the newly built Huizhou e-cigarette office. Meanwhile, the Group has been dedicated to developing e-cigarette liquid and e-cigarette cartridge with new ingredients through acquiring suitable e-cigarette production lines and setting up an extensive sales network, with a view to building a unique e-cigarette brand.

Future Prospects

There are warning signs of a slowdown in the global economy, in which economic forecasters are increasingly wary of a possible economic recession in near future. Notwithstanding the frosted global environment, China and the U.S. recently reached a tentative agreement for the "first phase" of a trade deal, reducing the uncertainties created by the trade rifts, which is likely to ease the geopolitical tensions and rebuild investors' confidence. Furthermore, improved consumer sentiment will provide support to the market, therefore the catering industry is expected to turn the tables accordingly.

As for the local market, unstable political climate and social environment continuously threaten the city's economy. As it takes time for Hong Kong to rebuild visitors' confidence, unemployment rate in the remarkably affected sectors namely retail, catering and hotel sectors may further increase, whilst it is predicted there will be more frequent store closures in the last quarter of 2019. Fortunately, the Hong Kong Government introduced multi-pronged measures to stabilize the enterprises' confidence, safeguard jobs, encourage spending and support the economy in the latest Policy Address, which are instrumental in alleviating Hong Kong's economic slowdown and giving supports to the retailers, catering and hotel operators amidst political and economic whammies.

In light of the public and the business stakeholders' concerns over the gloomier global economic outlook, the Group has already doubled its effort to diversify business scope through investing in the new e-cigarette business. The Group manages to optimize its newly built facilities in the Huizhou e-cigarette factory, in order to build a solid foundation for the e-cigarette business. Due to the amendment in relevant legislations, the development progress of the Group's e-cigarette business becomes slower than expected. However, the Group remains optimistic about the development potential of China's e-cigarette market and strives to tap the blooming potential in China's e-cigarette market.

Faced with the frosted market environment, the Group will continue to review its existing operations and financial position to identify the suitable direction and plan for future business development, expand income sources, and ultimately enhance the Group's long-term competitiveness, thus creating value for shareholders and investors.

The Group will continue its existing food and beverage business. To secure a strong footing and make relentless progress in the rapidly changing market, the Group will grasp any business opportunities to further diversify its businesses. The management will keep reviewing the existing businesses and the shops' operating conditions, as well as increasing its flexibility to generate new source of revenue, in other to enhance the Group's overall competitiveness and achieve long-term success. In addition, the Group will consider appropriate investments to contribute to the growth of business and asset base, thereby broadening its revenue stream and achieving better returns for its shareholders.

FINANCIAL REVIEW

For the six months ended 30 September 2019, the Group recorded revenue of approximately HK$91.6 million (2018: approximately HK$136.2 million), which decreased by approximately 32.7% compared with the corresponding period last year resulted from the closure of certain shops when leases expired.

Loss attributable to owners of the Company was approximately HK$8.2 million (2018: approximately HK$12.7 million).

The gross profit margin of the Group was 63% (2018: 67%).

Total operating expenses decreased by approximately 36.2% to approximately HK$65.0 million (2018: approximately HK$101.9 million) and was in line with the decrease of revenue and resulted from stringent cost control.

Financial Resources and Liquidity

As at 30 September 2019, the Group's current assets amounted to approximately HK$109.2 million (31 March 2019: approximately HK$149.8 million) of which approximately HK$85.1 million (31 March 2019: approximately HK$122.2 million) was cash and bank deposits, approximately HK$21.3 million (31 March 2019: approximately HK$24.7 million) was debtors, deposits and prepayments. The Group's current liabilities amounted to approximately HK$174.6 million (31 March 2019: approximately HK$163.3 million), including creditors, accruals and deposits received in the amount of approximately HK$159.0 million (31 March 2019: approximately HK$161.2 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$39.2 million which was classified as non-current liabilities as at 30 September 2019 (31 March 2019: approximately HK$39.0 million). On 25 April 2018, the Company entered into a loan agreement with its ultimate holding company, Oceanic Fortress Holdings Limited ("**Oceanic Fortress**"), in respect of the provision of 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 and was fully and early settled on 12 June 2019.

Current ratio and quick assets ratio were 0.63 and 0.61 respectively (31 March 2019: 0.92 and 0.90 respectively). As at 30 September 2019, as the Group incurred net liabilities as at 30 September 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. 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 148% (31 March 2019: 139%).

Foreign Exchange

During the Reporting Period, the Group conducted commercial transactions in the PRC. And, during the period for the six months ended 30 September 2018, the Group conducted commercial transactions in the PRC and Taiwan denominated in Renminbi and New Taiwan Dollar respectively. Fluctuation in exchange rates of Renminbi and New Taiwan Dollar against Hong Kong Dollar could affect the Group's results of operations. During both periods for the six months ended 30 September 2019 and 2018, no hedging transaction or other exchange rate arrangements were made.

Charges on the Group's Assets

No assets of the Group had been pledged or charged as at 30 September 2019 and 31 March 2019.

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 30 September 2019, the Group's outstanding capital commitments were approximately HK$3,880,000 (31 March 2019: approximately HK$4,280,000).

Contingent Liabilities

As at 30 September 2019 and 31 March 2019, the Group did not have any material contingent liabilities.

Save as disclosed above, during the six months ended 30 September 2019 and 2018, 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 2019, the Group had 295 employees in Hong Kong and the PRC (31 March 2019: 304 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 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 (collectively referred to as the "**Share Option Schemes**").

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 2019, approximately HK$6.8 million, approximately HK$17.1 million and approximately 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 according to intentions previously disclosed. As at 30 September 2019, approximately HK$73.4 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 2019:

Summary of use of Net Proceeds

Use of net proceeds	Original allocation of net proceeds	Re-allocation of the unutilised amount as disclosed in the Company's announcement dated 8 July 2019	Actual amount utilised up to 30 September 2019	Unutilised balance as at 30 September 2019
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*
Operation and expansion of the existing food and beverage business	29.0	–	(6.8)	22.2
Company's corporate expenses	20.0	–	(17.1)	2.9
Repayment of bank loans	15.0	(15.0)	–	–
Potential investment opportunities	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	–	(25.6)	73.4

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 (please refer to the Company's announcement dated 8 July 2019 for further details). 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.

During the Reporting Period, the Group pursued a prudent yet efficient network expansion strategy and up to 30 September 2019, Net Proceeds amounting to approximately HK$6.8 million had been utilised for operating and expanding existing food and beverage business and the unutilised balance of approximately HK$22.2 million allocated for this purpose is expected to be fully utilised by 31 July 2021.

As at 30 September 2019, approximately HK$17.1 million has been used as the Company's corporate expenses and the unutilised balance of approximately HK$2.9 million allocated for this purpose is expected to be fully utilised by 30 April 2020.

As at 30 September 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 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 unutilised balance of approximately HK$35 million allocated for this purpose is expected to be fully utilised by 31 July 2021. The actual timeline will be subject to 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.

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, up to 30 September 2019, the Group utilised HK$1.7 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 purchase of new equipment. With the newly added facilities, the Group is better equipped for future development of the e-cigarette business. The remaining unutilised Net Proceeds of approximately HK$13.3 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 utilised 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 changing the timeline or 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.

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

During the six months ended 30 September 2019, 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 30 September 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 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 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' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 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 or chief executives of the Company) had, or were 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 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 *(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 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 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 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 2019.

Save as disclosed above, as at 30 September 2019, 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 and as at 30 September 2019 and 31 March 2019, there was no outstanding share option.

CHANGE OF DIRECTORS

As disclosed in the Company's announcement dated 21 May 2019 and the annual report of the Company for the year ended 31 March 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.

COMPETING INTERESTS

As at 30 September 2019, 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 2019, the Audit Committee had held two meetings and had reviewed the draft interim report and accounts for the six months ended 30 September 2019 prior to recommending such report and accounts to the Board for approval.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the six months ended 30 September 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 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 2019.

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

Hong Kong, 11 November 2019

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 http://www.hkgem.com on the "Latest Listed Company Information" page for at least 7 days from the day of its posting and on the website of the Company at www.stargloryhcl.com.