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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8213)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of StarGlory Holdings Company Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

Consolidated revenue of the Company and its subsidiaries (collectively the “**Group**”) was approximately HK\$78.4 million for the six months ended 30 September 2022, representing a decrease of approximately 6.3% compared with approximately HK\$83.7 million recorded in the corresponding period last year.

Loss attributable to owners of the Company decreased to HK\$3.8 million for the six months ended 30 September 2022 from HK\$8.4 million 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 2022, 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 2022

	Note	For the six months ended 30 September		For the three months ended 30 September	
		2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue	2	78,424	83,677	39,142	42,421
Cost of sales		<u>(33,392)</u>	<u>(36,504)</u>	<u>(17,180)</u>	<u>(18,554)</u>
Gross profit		45,032	47,173	21,962	23,867
Other income		6,875	1,031	2,369	409
Gain on modification of convertible bonds		–	1,390	–	1,390
Operating expenses		<u>(54,182)</u>	<u>(55,385)</u>	<u>(26,777)</u>	<u>(27,315)</u>
Operating loss		(2,275)	(5,791)	(2,446)	(1,649)
Finance costs	3(a)	<u>(2,756)</u>	<u>(2,800)</u>	<u>(1,344)</u>	<u>(1,388)</u>
Loss before income tax	3	(5,031)	(8,591)	(3,790)	(3,037)
Income tax credit/(expense)	4	<u>114</u>	<u>239</u>	<u>165</u>	<u>(127)</u>
Loss for the period		<u>(4,917)</u>	<u>(8,352)</u>	<u>(3,625)</u>	<u>(3,164)</u>
(Loss)/profit for the period attributable to:					
Owners of the Company		(3,798)	(8,359)	(3,267)	(3,169)
Non-controlling interests		<u>(1,119)</u>	<u>7</u>	<u>(358)</u>	<u>5</u>
		<u>(4,917)</u>	<u>(8,352)</u>	<u>(3,625)</u>	<u>(3,164)</u>
			(Restated)		(Restated)
Loss per share (HK cents)	5				
– Basic		<u>(0.73)</u>	<u>(1.61)</u>	<u>(0.63)</u>	<u>(0.61)</u>
– Diluted		<u>(0.73)</u>	<u>(1.61)</u>	<u>(0.63)</u>	<u>(0.61)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)*For the six months ended 30 September 2022*

	For the six months ended 30 September		For the three months ended 30 September	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	<u>(4,917)</u>	<u>(8,352)</u>	<u>(3,625)</u>	<u>(3,164)</u>
Other comprehensive income/(loss):				
Items that may be subsequently reclassified to profit or loss:				
Exchange gain/(loss) arising from translation of financial statements of foreign operations	<u>1,887</u>	<u>(917)</u>	<u>1,060</u>	<u>(146)</u>
Total comprehensive loss for the period	<u>(3,030)</u>	<u>(9,269)</u>	<u>(2,565)</u>	<u>(3,310)</u>
Total comprehensive (loss)/income for the period attributable to:				
Owners of the Company	<u>(1,137)</u>	<u>(9,276)</u>	<u>(1,811)</u>	<u>(3,315)</u>
Non-controlling interests	<u>(1,893)</u>	<u>7</u>	<u>(754)</u>	<u>5</u>
	<u>(3,030)</u>	<u>(9,269)</u>	<u>(2,565)</u>	<u>(3,310)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 September 2022*

		As at 30 September 2022 (Unaudited) <i>HK\$'000</i>	As at 31 March 2022 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT ASSETS			
Plant and equipment		4,240	5,759
Goodwill		–	–
Other intangible assets		6,262	6,614
Right-of-use assets		<u>10,537</u>	<u>21,281</u>
		<u>21,039</u>	<u>33,654</u>
CURRENT ASSETS			
Inventories		2,774	2,152
Debtors, deposits and prepayments	6	16,689	17,582
Income tax recoverable		537	200
Time deposits		15,000	10,000
Cash and cash equivalents		<u>38,631</u>	<u>51,474</u>
		<u>73,631</u>	<u>81,408</u>
DEDUCT:–			
CURRENT LIABILITIES			
Creditors and accruals	7	144,156	151,411
Contract liabilities		1,723	1,005
Lease liabilities		14,140	20,337
Income tax payable		<u>345</u>	<u>–</u>
		<u>160,364</u>	<u>172,753</u>
NET CURRENT LIABILITIES		<u>(86,733)</u>	<u>(91,345)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 30 September 2022*

	As at 30 September 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	(65,694)	(57,691)
NON-CURRENT LIABILITIES		
Creditors and accruals	7 –	257
Lease liabilities	3,045	8,002
Deferred tax liabilities	367	505
Convertible bonds	40,000	40,000
	43,412	48,764
NET LIABILITIES	(109,106)	(106,455)
REPRESENTING:–		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	41,662	41,662
Reserves	(149,126)	(146,863)
	(107,464)	(105,201)
NON-CONTROLLING INTERESTS	(1,642)	(1,254)
TOTAL EQUITY	(109,106)	(106,455)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2022

	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 1.4.2021 (audited)	41,662	(390,475)	258,889	3,801	128	1,390	17	(84,588)	-	(84,588)
Extension of convertible bonds	-	-	-	-	-	346	-	346	-	346
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	(967)	(967)
Total comprehensive (loss)/income										
(Loss)/profit for the period	-	(8,359)	-	-	-	-	-	(8,359)	7	(8,352)
Other comprehensive income:										
Exchange loss arising from translation of financial statements of foreign operations	-	-	-	-	(917)	-	-	(917)	-	(917)
Total comprehensive (loss)/income for the period	-	(8,359)	-	-	(917)	-	-	(9,276)	7	(9,269)
At 30.9.2021 (unaudited)	<u>41,662</u>	<u>(398,834)</u>	<u>258,889</u>	<u>3,801</u>	<u>(789)</u>	<u>1,736</u>	<u>17</u>	<u>(93,518)</u>	<u>(960)</u>	<u>(94,478)</u>
At 1.4.2022 (audited)	41,662	(410,285)	258,889	3,801	(675)	1,390	17	(105,201)	(1,254)	(106,455)
Acquisition of additional interests in a subsidiary	-	(1,126)	-	-	-	-	-	(1,126)	1,126	-
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	379	379
Total comprehensive (loss)/income										
Loss for the period	-	(3,798)	-	-	-	-	-	(3,798)	(1,119)	(4,917)
Other comprehensive income/(loss):-										
Exchange gain/(loss) arising from translation of financial statements of foreign operations	-	-	-	-	2,661	-	-	2,661	(774)	1,887
Total comprehensive (loss)/income for the period	-	(3,798)	-	-	2,661	-	-	(1,137)	(1,893)	(3,030)
At 30.9.2022 (unaudited)	<u>41,662</u>	<u>(415,209)</u>	<u>258,889</u>	<u>3,801</u>	<u>1,986</u>	<u>1,390</u>	<u>17</u>	<u>(107,464)</u>	<u>(1,642)</u>	<u>(109,106)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	For the six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	1,343	(8,472)
NET CASH USED IN INVESTING ACTIVITIES	(2,511)	(1,643)
NET CASH USED IN FINANCING ACTIVITIES	(12,580)	(8,274)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,748)	(18,389)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	51,474	72,369
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	905	155
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	38,631	54,135
ANALYSIS OF CASH AND CASH EQUIVALENTS		
	As at	As at
	30 September	30 September
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	38,631	54,135

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 are prepared under the historical cost convention and the 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 2022, 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 2022 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 2022. 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.

(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\$86,733,000 and HK\$109,106,000 respectively as at 30 September 2022 as the Directors considered that:

- (1) Ms. Huang Li, being a director of the Company, the sole beneficial owner and director of the ultimate holding company of the Group, will provide continuing financial support to the Group; and
- (2) On 14 June 2022, a lender of the other loans, who is also the sole beneficial owner of the convertible bonds issued by the Company, signed a memorandum of loans with a subsidiary of the Company, pursuant to which repayment date of a loan from this lender with an outstanding balance of approximately HK\$104,119,000 as at 14 June 2022 was extended (the “**Extension**”) from 22 June 2022 to 22 June 2023 (the “**Extended Loan**”). The Extended Loan bears the same term after the Extension. The rest of the loans from this lender are unsecured, interest-free and repayable on demand.

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 and sales of healthcare products, 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	
	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
Revenue from customers and recognized at a point in time		
– Provision of food and beverage services and others	78,346	83,502
– Sales of healthcare products	78	175
	<u>78,424</u>	<u>83,677</u>

3. LOSS BEFORE INCOME TAX

	For the six months ended 30 September	
	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
Loss before income tax is arrived at after charging:		
(a) Finance costs:		
Interest expense on other loans	949	655
Interest expense on convertible bonds	400	400
Imputed interest expense on convertible bonds	–	302
Interest expense on lease liabilities	363	390
Other bank charges	1,044	1,053
	<u>2,756</u>	<u>2,800</u>
(b) Other items:		
Amortization of other intangible assets	380	374
Depreciation of plant and equipment	1,686	1,423
Depreciation of right-of-use assets	10,819	8,380

4. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	For the six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax	–	–
Deferred tax	(114)	(239)
Income tax credit	<u>(114)</u>	<u>(239)</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 (2021: Hong Kong – 16.5% and PRC – 25% respectively) except for a Hong Kong subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at the rate of 8.25% and the remaining assessable profits are taxed at the rate of 16.5%.

5. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$3,798,000 (2021: approximately HK\$8,359,000) and the weighted average number of ordinary shares of 520,771,875 (2021 (restated): ordinary shares of 520,771,875) in issue during the three months ended 30 September 2022.

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

The computation of diluted loss per share (2021: loss per share) does not assume the conversion of the Company’s outstanding convertible bonds since the exercise price of those convertible bonds was higher than the average market price for the six months ended 30 September 2022 and 2021.

6. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments comprise:–

	As at 30 September 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
Trade debtors	3,457	2,642
Less: loss allowance	<u>(478)</u>	<u>(478)</u>
	2,979	2,164
Rental and utility deposits	13,298	13,477
Prepayments	360	833
Other debtors	<u>52</u>	<u>1,108</u>
	<u>16,689</u>	<u>17,582</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 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
At the beginning and end of the period	<u>478</u>	<u>478</u>

(b) Aging analysis

The Group normally allows credit term of 180 days to its customers for trading of skincare products. The trading terms with the Group's customers for provision of food and beverage services are mainly on cash and credit card settlements, except for well established corporate customers who are granted 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 (net of loss allowance), which included outstanding balances for credit card settlements, based on the invoice date, at the end of the reporting period:–

	As at 30 September 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
0 – 30 days	2,703	1,884
31 – 60 days	–	23
61 – 90 days	44	10
91 – 180 days	232	247
	<u>2,979</u>	<u>2,164</u>

(c) Trade debtors that are not impaired

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

	As at 30 September 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
Neither past due nor impaired	2,703	1,884
Past due but not impaired:–		
1 – 30 days	–	23
31 – 60 days	44	10
61 – 150 days	232	247
	<u>276</u>	<u>280</u>
	<u>2,979</u>	<u>2,164</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, 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.

7. CREDITORS AND ACCRUALS

Creditors and accruals comprise:–

	As at 30 September 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
Trade creditors	8,837	6,700
Accruals and provisions	15,106	13,688
Other creditors and payables	937	9,209
Other loans – <i>Note 7(a)</i>	119,276	122,071
	144,156	151,668
Less: amounts classified in non-current liabilities	–	(257)
Amounts classified in current liabilities	144,156	151,411

Note:–

- (a) Other loans of approximately HK\$101,072,000 (31 March 2022: approximately HK\$102,991,000) as at 30 September 2022 are unsecured, carries interest rate at 0.1% per month and repayable on 22 June 2022. Remaining loans of HK\$2,581,000 as at 30 September 2022 (31 March 2022: approximately HK\$2,890,000) are interest-free, unsecured and repayable on demand. On 14 June 2022, a lender of the other loans, who is also the sole beneficial owner of the convertible bonds issued by the Company, signed a memorandum of loans with a subsidiary of the Company, pursuant to which repayment date of a loan from this lender with an outstanding balance of approximately HK\$104,119,000 as at 14 June 2022 was extended from 22 June 2022 to 22 June 2023. The Extended Loan bears the same term after the Extension. The rest of the loans from this lender are interest-free, unsecured and repayable on demand.

Interest payable to this lender of approximately HK\$202,000 as at 30 September 2022 (31 March 2022: approximately HK\$1,723,000) is included in other creditors and payables.

Other loans of approximately HK\$14,517,000 (31 March 2022: approximately HK\$16,190,000) as at 30 September 2022 are unsecured and carries interest rate at 4.35% per annum. Amounts of approximately HK\$11,056,000 (31 March 2022: approximately HK\$12,330,000) and approximately HK\$3,461,000 (31 March 2022: approximately HK\$3,860,000) are repayable on 28 January 2023 and 23 March 2023, respectively. Other loans of approximately HK\$1,106,000 (31 March 2022: Nil) as at 30 September 2022 are interest-free, unsecured and repayable on 14 April 2023.

Interest payable to this lender of approximately HK\$335,000 (31 March 2022: approximately HK\$91,000) as at 30 September 2022 is included in other creditors and payables.

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

	As at 30 September 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
0 – 30 days	7,973	6,026
31 – 60 days	61	–
61 – 90 days	7	19
91 – 180 days	31	231
Over 180 days	765	424
	<u>8,837</u>	<u>6,700</u>

8. RELATED PARTY AND CONNECTED TRANSACTIONS

The Group had no material transactions with its related parties and connected persons as defined in HKAS 24 and GEM Listing Rules for the six months ended 30 September 2022 and 2021.

Directors and key management personnel remunerations

	For the six months ended 30 September 2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Fees	510	510
Salaries, allowances and other benefits in kind	1,724	1,700
Retirement scheme contributions	9	27
	<u>2,243</u>	<u>2,237</u>

9. 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		Consolidated	
	For the six months ended		For the six months ended		For the six months ended	
	30 September		30 September		30 September	
	2022	2021	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	78	175	78,346	83,502	78,424	83,677
Other revenue	9	226	6,866	805	6,875	1,031
Total revenue	<u>87</u>	<u>401</u>	<u>85,212</u>	<u>84,307</u>	<u>85,299</u>	<u>84,708</u>

	PRC		Hong Kong		Consolidated	
	At	At	At	At	At	At
	30 September	31 March	30 September	31 March	30 September	31 March
	2022	2022	2022	2022	2022	2022
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	<u>2,390</u>	<u>3,009</u>	<u>18,649</u>	<u>30,645</u>	<u>21,039</u>	<u>33,654</u>

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 is based on (i) the physical location of the assets, in the case of plant and equipment and (ii) the location of operation to which they are allocated, in the case of intangible assets, right-of-use-assets and goodwill.

(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 2022 and 2021.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 September 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's unaudited revenue for the six months ended 30 September 2022 (the "**Reporting Period**") amounted to approximately HK\$78.4 million (2021: approximately HK\$83.7 million), representing a decrease of approximately 6.3% compared with the same period of the last financial year. Loss attributable to owners of the Company decreased to approximately HK\$3.8 million for the six months ended 30 September 2022 from approximately HK\$8.4 million recorded in the corresponding period last year.

Industry Overview

During the Reporting Period, the global economic environment remained turbulent, mainly due to the persistence of inflation and ongoing geopolitical tensions, triggering a deterioration of investor sentiment as fears of a recession grew. Global gross domestic product ("**GDP**") stagnated during the second quarter of 2022 and output declined in the G20 group of leading economies. The second quarter GDP in member nations of the Organisation for Economic Co-operation and Development ("**OECD**") rose by 0.3% quarter on quarter. Such a slight growth was due to economic downturns in China and Russia. Consumer spending in the United States also fell below expectations. British multinational bank Barclays said financial markets showed signs of stress as currencies and interest rates crossed critical thresholds, prompting policy interventions even in core markets. It is believed that these dynamics are unlikely to change in the short term.

China's economic growth fell behind the rest of the Asia-Pacific region for the first time in more than 30 years which was mainly attributable to the "zero-Covid" policy. GDP in the world's second-largest economy has been forecasted by the World Bank to increase by 2.8% in 2022, while the remaining 23-country in the Asia-Pacific region is expected to record an average growth of 5.3%, more than double the 2.6% rate achieved in 2021. Data released by China's National Bureau of Statistics also indicates that the country's core consumer price index ("**CPI**") rose by 0.8% only in August 2022, which is lower than the corresponding month last year. Nevertheless, amid a gradual relaxation of pandemic prevention measures by the Chinese government, total retail sales of consumer goods increased by 5.4% in August 2022. The food & beverage industry recorded a total revenue of RMB374.8 billion in August 2022, representing an increase of 8.4% as compared to the corresponding month last year.

Although Hong Kong's economy improved in overall terms during the second quarter, that improvement was weaker than expected. Real GDP fell 1.3% from a year earlier following a 3.9% contraction in the previous quarter. According to data released by the city's Census and Statistics Department ("**C&SD**"), the restaurant sector generated revenue of approximately HK\$22 billion during the second quarter of 2022, down by 5.4% compared to the same period last year. Nonetheless, the implementation of the second phase of the government's Consumption Voucher Scheme, the easing of the local pandemic situation, and the loosening of social distancing measures boosted business at restaurants, resulting in a revenue rebound of 51% from a trough in the previous quarter, on a seasonally adjusted basis, and a much narrower year-on-year revenue decline of 5.5% was recorded.

In addition, CPI data released by the C&SD in September showed that overall consumer prices rose by 1.9% in August over the same month a year earlier, at the same pace as in July. Among the various components of the composite CPI, it recorded a 4.7% increase in the price of basic food and a 3.3% increase in the price of meals out and takeaway food. According to the Deliveroo Q2 2022 Restaurant Confidence Index, compiled by one of the largest food-delivery platforms in the world, restaurants in Hong Kong were slightly more confident in the outlook for the food & beverage industry, with the proportion of respondents expressing positive sentiment rising to 39% in the second quarter from 34% in the previous quarter, which was mainly attributable to the government's distribution of the consumption vouchers.

Over the past few years, the pandemic has led to a growing consumer focus on health. Driven by mounting concerns over chronic diseases and the ageing of the population, alongside increased awareness of the benefits of healthier lifestyles, the global healthcare market is expected to expand rapidly. Data released by Statista in June indicated that revenue in the segment is expected to reach US\$59.7 billion in 2022, with a projected market volume of about US\$18,630.0 million in 2022, of which most revenue would be generated in China. As living standards continue to improve, the global oral care and oral hygiene market is expected to enjoy a compound annual growth rate (“CAGR”) of 6.4% between 2022 and 2030. With higher standards of living, people in China have embraced newly launched oral care products such as anti-inflammatory toothpaste and electric toothbrushes. Revenue in the oral care segment in China is forecast to reach about US\$6.21 billion in 2022, according to Statista, and the market is expected to achieve a CAGR of 7.85% between 2022 and 2026.

The recent tightening of e-cigarette regulations in a number of countries has created policy uncertainty and clouded the outlook for the industry's development. In China, the sector has been hit hard by trial policy measures dubbed “Several Policies and Measures on Promoting the Legalisation and Standardisation of the Electronic Cigarette Industry”, which take effect from 1 October 2022. The trial policy measures build upon existing e-cigarette rules and regulations to standardise and regulate the development of the industry and put it on track towards formal legalisation. The move will further limit the extent to which existing tobacco industry suppliers cater to the domestic e-cigarette market.

Business Review

As oral care is increasingly valued by consumers amid a climate of overall improving health awareness in China, the Group has tapped into the healthcare market since 2020 and optimised its presence with a specific focus on oral hygiene. During the Reporting Period, the Group continued with its strategies by allocating more resources to this business segment.

Thanks to the unwavering business expansion and efforts of the employees of the Group, the production of anti-inflammatory toothpaste by the Group was successfully completed and sale of toothpaste through online and offline means commenced during the first half of the financial year. The Group has been closely monitoring the effectiveness of online and offline sales integration, and adjusting its marketing campaign strategies as required.

During the Reporting Period, the Group completed two phases of the development of its oral care business. The period from April to May 2022 was a construction stage and the period from June to July 2022 was a development stage. The tasks completed during the construction period of operations included store positioning, product planning, branding, setting up a customer relations management programme, building warehouse docking infrastructure, and providing customer service training for staff. The tasks completed during the development stage included marketing campaigns such as promotions of preferential-customer packages through means including live broadcasting and the integration of online and offline channels to improve brand awareness and drive consumer traffic.

Following the anti-inflammatory toothpaste launch in mid-May, the Group has been conducting follow-up activity such as calling clients and paying them face-to-face visits. Leveraging the popularity and public profile of social media platforms such as Douyin, Kuaishou, JD.com and WeChat-mini programme in China, the Group has seized the opportunity to tap into online-to-offline channels, develop new platforms such as Eternal Asia and Miyuan to explore opportunities for collaboration with new product manufacturers. In addition, the Group has put efforts to develop and enhance the efficiency of various marketing channels, particularly between July and September. The Group also set up a live broadcast team and renovated its stores for broadcasts in July.

The group's promotional activities through other channels included cooperation agreements with Pikaso and Mini Fit, alongside adjustments to product positioning and selling points, and enhancements to the brand recognition of its toothpaste, resulting in higher sales volumes. Given that this business segment has been in its developmental stages, the revenue generated from it during the Reporting Period remained modest.

In the e-cigarette segment, in view of the mainland Chinese and Hong Kong governments' ongoing tightening of regulations to ban e-cigarettes, the Group maintained a pragmatic, prudent approach in order to be able to respond promptly to changing business circumstances by adjusting business strategy. The Group's management will make every effort to ensure that the growth of this business segment aligns with its primary growth strategies and revenue stream expansion plans.

The food and beverage business of the Group was adversely affected, resulting from the social distance and quarantine measures caused by the fifth wave of "COVID 19". For the Reporting Period, the revenue of the food and beverage business of the Group on one hand struggled. On the other hand, the food cost has been increasing since the third quarter of 2021. However, with the compliments, encouragement, support and patience from our loyal customers and suppliers, and diligent staff, the Group's food and beverage business has a sustainable result in the Reporting Period.

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

Italian Tomato, is the Group's promising brand of restaurants, cafés and cake shops. Italian Tomato is undoubtedly one of the well-recognized cake shops in Hong Kong, both traditional and seasonal products are welcomed in the market. The result of this Reporting Period is encouraging, which gives great encouragement and confidence to the management for enlarging the network of Italian Tomato. By opening 1 additional café in the Reporting Period, there were 5 cafés and 30 cake shops in Hong Kong as at 30 September 2022. A recent study conducted by the management noted that the benefit from the resource deployed in shop operation is more worthwhile than in factory operation, the management therefore has an expansion plan on shop number which is now subject to the conclusion of tenancies. Meanwhile, the Group will explore the possibilities on outsourcing partial manufacturing procedures in order to tighter the cost on a condition that Italian Tomato still provides good quality of cakes to our customers.

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

Future Prospects

With the generally weakened economic activity across the world and inflation at its highest level in decades, the global economic outlook is expected to remain clouded by uncertainty and the risk of recession. Countries are facing cost-of-living crisis alongside tightening financial conditions in most regions, Russia's war against Ukraine is ongoing, and COVID-19 remains a persistent threat. All of these issues have had a marked impact on the international economic prognosis. The International Monetary Fund has downgraded its global growth projection for 2023 to a meagre 2.7%. Moreover, the Organisation for Economic Co-operation and Development also expects global GDP to be at least USD2.8 trillion lower in 2023 than in its forecasts from December 2021, before Russia began its aggression against Ukraine.

For China, Goldman Sachs and Nomura have lowered their 2022 full-year forecasts to 3% and 2.8%, respectively, from 3.3% in August 2022. Such predictions demonstrate continued pessimism among investment banks over China's growth target of around 5.5%. Forecasts are likely to remain unchanged, as it is expected that China will stand by its "zero-Covid" policy until March 2023. In Hong Kong, given the territory's worse-than-expected economic performance in the first half of 2022 and the sharp deterioration in global economic prospects, the government forecasts real GDP growth for 2022 of between -0.5% and 0.5%.

Although the outlook for Hong Kong's economic growth remains gloomy, the city's food & beverage industry is expected to rebound gradually amid an improvement in market confidence, the relaxation of social distancing measures, and the boost to consumer sentiment provided by the government's Consumption Voucher Scheme, all of which are also expected to drive business in the retail sector. Furthermore, thanks to the government's implementation of "0+3" quarantine measures for inbound travellers in late September, the local food & beverage industry may benefit from a new wave of growth opportunities.

In response to the gradual resumption of restaurant dining-in and the latest disbursement under the Consumption Voucher Scheme, the Group will maintain a strategic approach by launching more seasonal specialties and promotional offers to drive customer traffic in its physical stores. At the same time, it will deepen its collaboration with third-party food-ordering platforms through digital marketing campaigns to cater the consistent demand for meal deliveries. The Group will also improve its mobile membership apps to provide loyal customers with a one-stop, convenient and stable user experience, and to expand its customer base. While remaining vigilant in controlling operating costs, the Group will continue to grow its market share through the strategic expansion of its cake shop business.

In China, the healthcare industry has been growing at a rapid pace for the past two decades, prompting the Group to seize emerging opportunities to enlarge its business in the country's health segment. Research and Markets' latest "Health Care Markets in China" report indicates that spending on healthcare has accounted for more than 5% of China's GDP in recent years, and it forecasts that demand for healthcare in the country will continue to grow at a rate of around 11% by 2031. In particular, the development of oral care segment has been accelerating, and the Group is confident of being able to utilise its existing resources and business networks to further expand in this market. Alongside producing oral care products and planning new products, the Group has been allocating more resources to both online and offline marketing and offering promotional packages with the aim of cementing its position in the market, boosting brand awareness and fostering long-term relationships with existing and new customers. The Group is confident of the potential of this business segment and will continue to extend its market penetration in healthcare over the long term.

The Chinese and Hong Kong governments' ongoing attempts to restrict the tobacco and e-cigarette industries have left those sectors facing a bleak future. The Group will pay close attention to all forthcoming industry developments and evaluate its business plans cautiously. At the same time, the Group will continue to reinforce the development of other businesses and explore potentially promising growth opportunities.

FINANCIAL REVIEW

For the six months ended 30 September 2022, the Group recorded revenue of approximately HK\$78.4 million (2021: approximately HK\$83.7 million), which decreased by approximately 6.3% compared with the corresponding period last year mainly due to the revival of the fifth wave of pandemic, which led to government's implementation of tightening social distancing measures and evening dine-in ban for almost a month during the period from 1 April 2022 to 20 April 2022, resulting in a sluggish atmosphere in the food and beverage industry, and a significant impact in the Group's business.

Loss attributable to owners of the Company was approximately HK\$3.8 million (2021: approximately HK\$8.4 million). Such decrease in loss was mainly due to the increase in other income as a sum of approximately HK\$5.6 million wage subsidies under the Employment Support Scheme launched by the Government of the Hong Kong Special Administrative Region (the "**HKSAR Government**") were received for the Group's business activities carried out in Hong Kong during the Reporting Period. In addition, as the HKSAR Government launched a food licence holders subsidy scheme under the Anti-Epidemic Fund to provide financial relief to the food business sector which was directly affected by the social distancing measures. A total one-off subsidy of HK\$400,000 was provided to the Group and recorded as other income for being an eligible licence holder of general restaurants in operation. No such subsidies were recorded for the corresponding period last year.

The gross profit margin of the Group was approximately 57% (2021: approximately 56%). Although competition in the food and beverage industry remained fierce, the Group successfully maintained the gross profit margin stable during the Reporting Period through adjusting cake prices and exercising good cost control.

Total operating expenses decreased by approximately 2.2% to approximately HK\$54.2 million (2021: approximately HK\$55.4 million). The decrease in operating expenses as compared to the corresponding period last year was in line with the decrease in revenue and partially offset with the increase in the operating expenses incurred by the Group in developing its healthcare business for the Reporting Period.

Financial Resources and Liquidity

As at 30 September 2022, the Group's current assets amounted to approximately HK\$73.6 million (31 March 2022: approximately HK\$81.4 million) of which approximately HK\$53.6 million (31 March 2022: approximately HK\$61.5 million) was cash and bank deposits, approximately HK\$16.7 million (31 March 2022: approximately HK\$17.6 million) was debtors, deposits and prepayments. The Group's current liabilities amounted to approximately HK\$160.4 million (31 March 2022: approximately HK\$172.8 million), including creditors and accruals in the amount of approximately HK\$144.2 million (31 March 2022: approximately HK\$151.4 million). As at 30 September 2022, convertible bonds issued by the Company amounted to approximately HK\$40 million (31 March 2022: approximately HK\$40 million). On 13 August 2021, the Company entered into the third 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 13 August 2021) for 36 months from the date falling on the sixth anniversary of the date of issue of the convertible bonds, being 15 August 2021, to 15 August 2024. As such, the Convertible Bonds (as defined in the announcement of the Company dated 13 August 2021) amounting to approximately HK\$40 million was classified as non-current liabilities as at 30 September 2022 and 31 March 2022.

Current ratio and quick assets ratio were 0.46 and 0.44 respectively (31 March 2022: 0.47 and 0.46 respectively). As the Group incurred net liabilities as at 30 September 2022 and 31 March 2022 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 Reporting Period and multiplied by 100% was 215% (31 March 2022: 193%).

Foreign Exchange

During both periods for the six months ended 30 September 2022 and 2021, the Group conducted commercial transactions in the PRC denominated in Renminbi. Fluctuations in exchange rates of Renminbi against Hong Kong Dollar could affect the Group's results of operations.

During the Reporting Period, no hedging transactions or other exchange rate arrangements were made (2021: Nil).

Charges on the Group's Assets

No Group's assets had been pledged or charged as at 30 September 2022 (31 March 2022: Nil).

Capital Structure

The Group's operations were financed mainly by internal funds, loans from the sole beneficial owner of the convertible bonds issued by the Company, loans from independent third party and fund raised from rights issue to finance its operation. The Group will continue to adopt its treasury policy of placing its cash and cash equivalents as interest-bearing deposits. The Group's cash and cash equivalents were mainly denominated in Hong Kong dollar. The Group's other loans and convertible bonds issued by the Company both were denominated in Hong Kong dollar, as at 30 September 2022 amounted to approximately HK\$101,072,000 and HK\$40,000,000 respectively. As at 30 September 2022, the Group's borrowings with fixed interest rates amounted for 100% of total borrowings.

Acquisition, disposal and significant investment held

On 15 April 2022, the Group acquired the remaining 30% of the issued shares of 華胤(深圳)生物有限公司 held by the non-controlling interests for a cash consideration of RMB100.

Save as disclosed above, the Group did not carry out significant acquisition or disposal of subsidiaries and associates or held any significant investment during the Reporting Period.

Save as disclosed in the section headed “Use of Proceeds From the Rights Issue” on page 24 to 26 of this interim results announcement, the Group did not have any specific future plans for material investments or capital assets as at 30 September 2022.

Capital Commitments

As at 30 September 2022, the Group’s outstanding capital commitments were approximately HK\$7,740,000 (31 March 2022: approximately HK\$8,505,000).

Contingent Liabilities

As at 30 September 2022 and 31 March 2022, the Group did not have any material contingent liabilities.

Save as disclosed above, during the six months ended 30 September 2022 and 2021, 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 2022, the Group had 210 full-time employees in Hong Kong and the PRC (31 March 2022: 198 full-time 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 2022, approximately HK\$25.1 million, approximately HK\$20.0 million, approximately HK\$2.9 million and approximately HK\$18.5 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 2022, approximately HK\$32.5 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 2022:

Summary of use of Net Proceeds

	Original allocation of the Net Proceeds <i>HK\$ million</i>	Re-allocation of the unutilized amount as disclosed in the Company’s announcement dated 6 November 2018 <i>HK\$ million</i>	Re-allocation of the unutilized amount during the year ended 31 March 2021 <i>HK\$ million</i>	Re-allocation of the unutilized amount during the year ended 31 March 2022 <i>HK\$ million</i>	Actual amount utilized up to 31 March 2022 <i>HK\$ million</i>	Unutilized balance as at 31 March 2022 <i>HK\$ million</i>	Actual amount utilized up to 30 September 2022 <i>HK\$ million</i>	Unutilized balance as at 30 September 2022 <i>HK\$ million</i>
Operation and expansion of the existing food and beverage business	29.0	-	-	-	(22.0)	7.0	(25.1)	3.9
Company’s corporate expenses	20.0	-	-	-	(20.0)	-	(20.0)	-
Repayment of bank loans	15.0	(15.0)	-	-	-	-	-	-
Potential investment opportunities	35.0	-	(12.0)	-	-	23.0	-	23.0
Investment in, research and development, sales and marketing of e-cigarette in the PRC and overseas countries	-	15.0	(2.8)	(3.7)	(2.9)	5.6	(2.9)	5.6
Investment in medical and healthcare business	-	-	14.8	3.7	(18.5)	-	(18.5)	-
	<u>99.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(63.4)</u>	<u>35.6</u>	<u>(66.5)</u>	<u>32.5</u>

During the Reporting Period, the Group pursued a prudent yet efficient network expansion strategy and up to 30 September 2022, Net Proceeds amounting to approximately HK\$25.1 million had been utilized for operating and expanding existing food and beverage business and the unutilized balance of approximately HK\$3.9 million allocated for this purpose is expected to be fully utilized by 31 July 2023.

As at 30 September 2022, approximately HK\$20.0 million has been used as the Company's corporate expenses.

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 2022, 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 office and purchasing new equipment. Approximately HK\$6.5 million was reallocated to investment in the medical and healthcare business as set out below. The Group will remain mindful of the risks and assess the impact of external environment on the e-cigarette business. The remaining unutilized balance of approximately HK\$5.6 million allocated for this purpose is expected to be fully utilized by 31 July 2024.

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 2022, approximately HK\$18.5 million in total, which represented by approximately HK\$6.5 million and approximately HK\$12.0 million of the Net Proceeds from the Rights Issue which were originally reserved for the e-cigarette business and potential investment opportunities respectively, was reallocated and utilized to invest in the medical and healthcare business in the domestic market, including brand building, office set-up, expert recruitment and product development.

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 adopted 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 negotiations with a Chinese restaurant chain but the Group had not entered into any agreements nor memorandum of understanding for such type of acquisitions as at 30 September 2022. The Net Proceeds for potential investment opportunities purpose were still reserved and the unutilized balance of approximately HK\$23.0 million allocated for this purpose is expected to be fully utilized by 31 July 2024. The actual timeline will be subject to the availability of appropriate acquisition targets, market condition and time required for performing due diligence work. As of the date of this announcement, the Board has not identified any suitable acquisition target.

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 necessary, 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 2022, 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 2022, 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 2022, according to the register kept by the Company pursuant to section 336 of the SFO, so far as the Directors were aware, the following persons (other than the Directors whose interests are disclosed above) had, or 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	296,887,066	–	296,887,066	57.01
Ms. Huang Li	Interest of corporation controlled by Ms. Huang Li (Note 1)	296,887,066	–	296,887,066	57.01
	Beneficial owner	5,280,000	–	5,280,000	1.01
Mr. Tang Sing Ming Sherman (Note 2)	Beneficial owner	–	71,428,571	71,428,571	13.72
Ms. Ho Ming Yee (Note 3)	Interest of a substantial shareholder's spouse	–	71,428,571	71,428,571	13.72

Notes:

- (1) 296,887,066 shares are held by Oceanic Fortress Holdings Limited, the entire issued shares of 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 71,428,571 ordinary shares of the Company, representing approximately 13.72% of the issued share capital of the Company as at 30 September 2022.
- (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 520,771,875 ordinary shares of the Company in issue as at 30 September 2022.

Save as disclosed above, as at 30 September 2022, 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 (2021: Nil) and as at 30 September 2022 and 31 March 2022, there was no outstanding share option.

CHANGE OF DIRECTORS AND COMPOSITION OF BOARD COMMITTEES

As disclosed in the Company’s announcement dated 13 October 2022, with effect from 13 October 2022, Mr. Huang Chao (“**Mr. Huang**”) resigned as an executive Director and the chairman of the Board. Mr. Huang ceased to be the chairman of nomination committee of the Board, a member of remuneration committee of the Board, a member of the corporate governance committee of the Board, an authorized representative (“**Authorized Representative**”) of the Company under Rule 5.24 of the GEM Listing Rules and compliance officer (“**Compliance Officer**”) under Rule 5.19 of the GEM Listing Rules. Ms. Huang Li (“**Ms. Huang**”) was appointed as an executive Director and the chairlady of the Board. Ms. Huang was appointed to be the chairlady of nomination committee of the Board, a member of remuneration committee of the Board, a member of the corporate governance committee of the Board, an Authorized Representative and Compliance Officer.

Ms. Huang, aged 59, obtained a bachelor degree in highway engineering from the department of highway of Chang’an University (長安大學)(formerly known as Xi’an Highway Institute (西安公路學院)) in July 1983. Ms. Huang also completed the EMBA program at Cheung Kong Graduate School of Business in September 2019.

From November 2012 to September 2015, Ms. Huang was a director (re-designated as an executive director in June 2013) of Beijing Enterprises Clean Energy Group Limited (formerly known as Jin Cai Holdings Company Limited) (stock code: 1250) the issued shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited, whose business included the design, printing and sale of cigarette packages in the PRC at the relevant time. Ms. Huang has more than 19 years of experience in the paper packaging industry in the PRC.

In accordance with the articles of association of the Company, Ms. Huang will hold office until the first general meeting of the Company after her appointment and shall then be eligible for re-election. Ms. Huang will be subject to rotation requirements as contained in the articles of association of the Company and shall retire from office by rotation at least once every three years.

Ms. Huang will be entitled to receive a Director's fee of HK\$20,000 per month, which was determined by the remuneration committee of the Company with reference to her duties, responsibilities, qualifications, experiences and the prevailing market conditions.

As at the date of this announcement, Ms. Huang is interested in 302,167,066 shares of the Company, representing approximately 58.02% of the total issued share capital of the Company.

Save as disclosed above, as at the date of this announcement, Ms. Huang has confirmed that she does not have any relationship with any Directors, senior management, substantial shareholders, or controlling shareholders of the Company.

COMPETING INTERESTS

As at 30 September 2022, 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. Yang Haiyu and Mr. Zeng Shiquan.

Up to the date of approval of the Group's unaudited results for the six months ended 30 September 2022, the Audit Committee had held two meetings and had reviewed the draft interim report and accounts for the six months ended 30 September 2022 prior to recommending such report and accounts to the Board for approval.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the six months ended 30 September 2022, 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 2022.

By order of the Board
StarGlory Holdings Company Limited
Huang Li
Chairlady and executive Director

Hong Kong, 10 November 2022

As at the date of this announcement, the executive Directors are Ms. Huang Li and Mr. Wu Xiaowen; and the independent non-executive Directors are Mr. Chan Yee Ping Michael, Mr. Yang Haiyu and Mr. Zeng Shiquan.

This announcement will remain on the “Latest Listed Company Information” page of The Stock Exchange of Hong Kong Limited website at www.hkexnews.hk for at least 7 days from the date of its posting and the website of the Company at www.stargloryhcl.com.