

StarGlory Holdings Company Limited 榮暉控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8213)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021

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

RESULTS

The board of directors (the “**Board**”) of the Company hereby announces the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the year ended 31 March 2021 (the “**Reporting Period**”), together with the comparative audited consolidated figures for the corresponding year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	2	187,875	188,125
Cost of sales		<u>(79,557)</u>	<u>(71,862)</u>
Gross profit		108,318	116,263
Other income	3	18,533	5,510
Impairment loss on plant and equipment, other intangible assets and right-of-use assets		–	(10,000)
Gain on disposal of subsidiaries	4	1,893	–
Operating expenses		<u>(120,113)</u>	<u>(128,677)</u>
Operating profit/(loss)		8,631	(16,904)
Finance costs	5(a)	<u>(5,780)</u>	<u>(5,582)</u>
Profit/(loss) before income tax	5	2,851	(22,486)
Income tax expense	6(a)	<u>(436)</u>	<u>(667)</u>
Profit/(loss) for the year		<u>2,415</u>	<u>(23,153)</u>
Profit/(loss) for the year attributable to:–			
Owners of the Company		2,521	(22,967)
Non-controlling interests		<u>(106)</u>	<u>(186)</u>
		<u>2,415</u>	<u>(23,153)</u>
Earnings/(loss) per share (HK cents)	7		
– Basic		<u>0.06</u>	<u>(0.55)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(loss) for the year	<u>2,415</u>	<u>(23,153)</u>
Other comprehensive income:–		
Item that may be subsequently reclassified to profit or loss:–		
Exchange (loss)/gain arising from translation of financial statements of foreign operations	(1,095)	31
Release of exchange reserve on deregistration of subsidiaries	–	336
Release of exchange reserve upon disposal of subsidiaries	<u>1,671</u>	<u>–</u>
Other comprehensive income for the year, net of tax	<u>576</u>	<u>367</u>
Total comprehensive income/(loss) for the year	<u>2,991</u>	<u>(22,786)</u>
Total comprehensive income/(loss) for the year attributable to:–		
Owners of the Company	3,097	(22,647)
Non-controlling interests	<u>(106)</u>	<u>(139)</u>
	<u>2,991</u>	<u>(22,786)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 31 March 2021*

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Plant and equipment		5,258	5,555
Goodwill on consolidation		–	–
Other intangible assets		7,228	8,743
Right-of-use assets	<i>8</i>	20,120	32,534
Deposits paid for plant and equipment		21	579
Deferred tax assets		–	331
		<u>32,627</u>	<u>47,742</u>
CURRENT ASSETS			
Inventories		5,712	2,413
Debtors, deposits and prepayments	<i>9</i>	19,130	19,486
Income tax recoverable		–	76
Cash and cash equivalents	<i>10</i>	<u>72,369</u>	<u>82,552</u>
		<u>97,211</u>	<u>104,527</u>
DEDUCT:–			
CURRENT LIABILITIES			
Creditors and accruals	<i>11</i>	144,615	158,772
Contract liabilities		807	770
Lease liabilities	<i>12</i>	16,826	21,851
Convertible bonds		39,771	–
Income tax payable		410	1,058
		<u>202,429</u>	<u>182,451</u>
NET CURRENT LIABILITIES		<u>(105,218)</u>	<u>(77,924)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 31 March 2021*

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(72,591)</u>	<u>(30,182)</u>
NON-CURRENT LIABILITIES			
Creditors and accruals	<i>11</i>	519	944
Lease liabilities	<i>12</i>	10,725	17,662
Deferred tax liabilities		753	–
Convertible bonds		<u>–</u>	<u>39,387</u>
		<u>11,997</u>	<u>57,993</u>
NET LIABILITIES		<u>(84,588)</u>	<u>(88,175)</u>
REPRESENTING:–			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		41,662	41,662
Reserves		<u>(126,250)</u>	<u>(129,507)</u>
		(84,588)	(87,845)
NON-CONTROLLING INTERESTS		<u>–</u>	<u>(330)</u>
TOTAL EQUITY		<u>(84,588)</u>	<u>(88,175)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Attributable to owners of the Company									
	Share capital HK\$'000	Accumulated losses HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Other reserve HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1.4.2019	41,662	(366,949)	258,889	3,801	(768)	1,390	(143)	(62,118)	(3,271)	(65,389)
Acquisition of non-controlling interests	-	(3,080)	-	-	-	-	-	(3,080)	3,080	-
Comprehensive loss										
Loss for the year	-	(22,967)	-	-	-	-	-	(22,967)	(186)	(23,153)
Other comprehensive income:-										
Exchange gain/(loss) arising from translation of financial statements of foreign operations	-	-	-	-	54	-	-	54	(23)	31
Release of exchange reserve on deregistration of subsidiaries	-	-	-	-	266	-	-	266	70	336
Total comprehensive loss for the year	-	(22,967)	-	-	320	-	-	(22,647)	(139)	(22,786)
At 31.3.2020 and 1.4.2020	41,662	(392,996)	258,889	3,801	(448)	1,390	(143)	(87,845)	(330)	(88,175)
Disposal of subsidiaries – Note 4	-	-	-	-	-	-	160	160	436	596
Comprehensive income										
Profit for the year	-	2,521	-	-	-	-	-	2,521	(106)	2,415
Other comprehensive income:-										
Exchange loss arising from translation of financial statements of foreign operations	-	-	-	-	(1,095)	-	-	(1,095)	-	(1,095)
Release of exchange reserve upon disposal of subsidiaries – Note 4	-	-	-	-	1,671	-	-	1,671	-	1,671
Total comprehensive income for the year	-	2,521	-	-	576	-	-	3,097	(106)	2,991
At 31.3.2021	41,662	(390,475)	258,889	3,801	128	1,390	17	(84,588)	-	(84,588)

Notes:

1. BASIS OF PREPARATION

StarGlory Holdings Company Limited (the “**Company**”) was incorporated in the Cayman Islands on 13 November 2001 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The principal place of its business is 6/F., Southland Building, 48 Connaught Road Central, Central, Hong Kong. The Group is principally engaged in the provision of food and beverage services. The ultimate controlling party of the Group as at 31 March 2021 was Ms. Huang Li (“**Ms. Huang**” or the “**Controlling Shareholder**”).

The Company is listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

(a) Compliance with Hong Kong Financial Reporting Standards

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (“**HK(IFRIC) – Int**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).

(b) Initial application of HKFRSs

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

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-Related Rent Concessions (early adopted)
Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting

The adoption of the above new and revised HKFRSs in the current year has no material impact on the consolidated financial statements for the current and prior years.

The Group has early adopted Amendments to HKFRS 16 — Covid-19-Related Rent Concessions retrospectively from 1 April 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling approximately HK\$686,000 have been accounted for as negative variable lease payments and recognised in property rentals and related expenses in the consolidated statement of profit or loss for the year ended 31 March 2021, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 April 2020.

(c) HKFRSs in issue but not yet effective

The following HKFRSs in issue at 31 March 2021 have not been applied in the preparation of the consolidated financial statements since they were not yet effective for the annual period beginning on 1 April 2020:—

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related Amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ²

¹ Effective for annual periods beginning on or after 1 April 2023

² Effective for annual periods beginning on or after 1 April 2022

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 April 2021

The Group is in the process of making an assessment of what the impact of these HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

(d) Adoption of the going concern basis

When preparing the consolidated financial statements, the Group's ability to continue as a going concern has been assessed. The consolidated financial statements have been prepared by the Directors on a going concern basis notwithstanding that as at 31 March 2021, the Group had net current liabilities and net liabilities of HK\$105,218,000 and HK\$84,588,000 respectively as the Directors considered that:–

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

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

2. REVENUE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from customers and recognized at a point in time		
– Provision of food and beverage services and others	184,765	188,125
– Sales of skincare products	3,110	–
	<u>187,875</u>	<u>188,125</u>

3. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Government grants – <i>Note 3(a)</i>	15,463	1,520
Interest income	456	1,150
Service fee income	1,521	1,266
Franchise fee income	135	1,170
Gain on lease modification	163	–
Miscellaneous items	795	404
	<u>18,533</u>	<u>5,510</u>

Note:–

- (a) Government grants represent the approved amount of wages subsidies under the Employment Support Scheme launched by the government of the HKSAR and subsidies received from the Anti-epidemic Fund of the government of the HKSAR.

4. GAIN ON DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2021, the Group disposed of its entire issued share capital and the shareholder's loan in Townsman Limited and its subsidiaries (collectively referred as to the “**Townsman Group**”) to Shirokuma & Co., which is an independent third party, at an aggregate consideration of JPY45,000,000 (equivalent to approximately HK\$3.3 million).

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

	<i>Note</i>	<i>HK\$'000</i>
Plant and equipment		1,289
Right-of-use assets	8	5,295
Other intangible assets		927
Inventories		287
Debtors, deposits and prepayments		1,449
Income tax recoverable		206
Cash and bank balances		2,541
Creditors and accruals		(7,191)
Deferred tax liabilities		(186)
Lease liabilities		(5,480)
		<hr/>
Net liabilities disposed of		(863)
Release of exchange reserve		1,671
Release of other reserve		160
		<hr/>
		968
Non-controlling interests		436
Gain on disposal of subsidiaries		1,893
		<hr/>
		3,297
		<hr/> <hr/>
Total consideration satisfied by:–		
Cash consideration		3,297
		<hr/> <hr/>
Net cash inflow arising:–		
Cash consideration received		3,297
Cash and bank balances disposed of		(2,541)
		<hr/>
		756
		<hr/> <hr/>

5. PROFIT/(LOSS) BEFORE INCOME TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(loss) before income tax is arrived at after charging/(crediting):–		
(a) Finance costs:–		
Interest expense on other loans	1,393	1,464
Interest expense on convertible bonds	800	798
Interest expense on loan from the ultimate holding company	–	205
Imputed interest expense on convertible bonds	384	428
Interest expenses on lease liabilities	1,217	1,165
Other bank charges	1,986	1,522
	<u>5,780</u>	<u>5,582</u>
(b) Other items:–		
Amortization of other intangible assets	772	818
Depreciation of plant and equipment	3,248	3,924
Depreciation of right-of-use assets	22,931	18,112
Auditor's remuneration	709	754
Exchange loss/(gain)	28	(31)
Variable lease payment not included in the measurement of lease liabilities	5,437	3,154
COVID-19 related rent concessions from lessors	(686)	–
Short-term lease expenses	8,582	15,031
Directors' remuneration	1,020	1,020
Other staff salaries and benefits	61,211	55,448
Retirement scheme contributions	2,566	1,977
Other staff costs	63,777	57,425
Cost of inventories sold	79,557	71,862
Deposits paid for plant and equipment written-off	600	–
Loss on disposal of plant and equipment	504	21
Loss on deregistration of subsidiaries	–	336
	<u>–</u>	<u>336</u>

6. INCOME TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax: –		
– Provision for the year	89	91
– Over-provision in prior years	(926)	–
Deferred tax	<u>1,273</u>	<u>576</u>
Income tax expense	<u><u>436</u></u>	<u><u>667</u></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 (2020: Hong Kong – 16.5%, PRC – 25% and Taiwan – 20% 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 8.25% and the remaining assessable profits are taxed at 16.5%.
- (b) The income tax for the year can be reconciled to the profit/(loss) before income tax per consolidated statement of profit or loss for the year as follows:–

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(loss) before income tax	<u><u>2,851</u></u>	<u><u>(22,486)</u></u>
Tax effect at the Hong Kong profits tax rate of 16.5% (2020: 16.5%)	470	(3,710)
Tax rates differential	797	277
Tax effect of income that is not taxable	(2,925)	(490)
Tax effect of expenses that are not deductible	450	4,239
Tax effect of unused tax losses not recognized	2,669	351
Over-provision in prior years	(926)	–
Tax effect of two-tiered profits tax rates regime	(89)	–
Tax concession	<u>(10)</u>	<u>–</u>
Income tax expense	<u><u>436</u></u>	<u><u>667</u></u>

- (c) The components of unrecognized deductible temporary differences in certain subsidiaries of the Company were as follows:–
- (i) The unutilized tax losses accumulated in the Hong Kong subsidiaries of the Company amounted to approximately HK\$47,937,000 (2020: approximately HK\$64,571,000) can be carried forward indefinitely. The unutilized tax losses accumulated in PRC subsidiaries amounted to approximately HK\$38,419,000 (2020: approximately HK\$62,391,000) can be carried forward for five years. Deductible temporary differences have not been recognized owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences.
 - (ii) Pursuant to the Corporate Income Tax Law of the PRC and its implementation rules, the gross amount of dividends received by the Company's subsidiary incorporated in Hong Kong from its PRC subsidiaries in respect of their profits generated since 1 January 2008 is subject to withholding tax at a rate of 5%. Under the Caishui (2008) No. 1, the undistributed profits of the PRC subsidiaries as at 31 December 2007 determined based on the relevant PRC tax rules and regulations are exempted from withholding tax. Since the Group can control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, no deferred tax liability was provided as no profit is expected to be distributed by the PRC subsidiaries in the foreseeable future. As at 31 March 2021, the undistributed profits of the PRC subsidiaries amounted to approximately HK\$Nil (2020: approximately HK\$3,134,000). The corresponding unrecognized deferred tax liabilities were amounted to approximately HK\$Nil (2020: approximately HK\$156,700).

7. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of HK\$2,521,000 (2020: loss attributable to owners of the Company of HK\$22,967,000) and the weighted average number of ordinary shares of 4,166,175,000 (2020: 4,166,175,000 ordinary shares) in issue during the year ended 31 March 2021.

Diluted earnings/(loss) per share has not been disclosed as no dilutive potential equity shares were in existence as at 31 March 2021 and 2020.

8. RIGHT-OF-USE ASSETS

	Leasehold properties <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:–			
At 1.4.2019	23,440	–	23,440
Additions	34,466	–	34,466
Lease modification	(284)	–	(284)
Exchange adjustment	(469)	–	(469)
	<u>57,153</u>	<u>–</u>	<u>57,153</u>
At 31.3.2020	<u>57,153</u>	<u>–</u>	<u>57,153</u>
Accumulated depreciation:–			
At 1.4.2019	–	–	–
Charge for the year	18,112	–	18,112
Exchange adjustment	(34)	–	(34)
	<u>18,078</u>	<u>–</u>	<u>18,078</u>
At 31.3.2020	<u>18,078</u>	<u>–</u>	<u>18,078</u>
Impairment loss:–			
At 1.4.2019	–	–	–
Charge for the year	6,541	–	6,541
	<u>6,541</u>	<u>–</u>	<u>6,541</u>
At 31.3.2020	<u>6,541</u>	<u>–</u>	<u>6,541</u>
Net book value:–			
At 31.3.2020	<u><u>32,534</u></u>	<u><u>–</u></u>	<u><u>32,534</u></u>

	Leasehold properties <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:–			
At 1.4.2020	57,153	–	57,153
Additions	16,838	491	17,329
Disposal of subsidiaries – <i>Note 4</i>	(8,492)	–	(8,492)
Expiry of leases arrangements	(11,071)	–	(11,071)
Lease modification	(2,163)	–	(2,163)
	<u>52,265</u>	<u>491</u>	<u>52,756</u>
At 31.3.2021	52,265	491	52,756
Accumulated depreciation:–			
At 1.4.2020	18,078	–	18,078
Charge for the year	22,726	205	22,931
Disposal of subsidiaries – <i>Note 4</i>	(3,197)	–	(3,197)
Expiry of leases arrangements	(11,071)	–	(11,071)
Written back on lease modification	(646)	–	(646)
	<u>25,890</u>	<u>205</u>	<u>26,095</u>
At 31.3.2021	25,890	205	26,095
Impairment loss:–			
At 1.4.2020 and 31.3.2021	<u>6,541</u>	<u>–</u>	<u>6,541</u>
Net book value:–			
At 31.3.2021	<u>19,834</u>	<u>286</u>	<u>20,120</u>

The Group has entered into lease agreements to obtain the right to use properties as its office premises, restaurants, café and cake shops and a motor vehicle and as a result incurred lease liabilities (Note 12). The leases typically run for an initial period of 1 to 3 years.

Variable lease payments

Leases of restaurants, café and cake shops are either with only fixed lease payments or contain variable lease payment that are based on 10% to 25% of sales and minimum annual lease payment that are fixed over the lease term. The payment terms are common in restaurants, café and cake shops in the locations where the Group operates. The amounts of fixed and variable lease payments paid/payable to relevant lessors for the years ended 31 March 2021 and 2020 include:

2020

	Number of leases	Fixed payments <i>HK'000</i>	Variable payments <i>HK'000</i>	Total payments <i>HK'000</i>
Office premises, warehouse and staff quarters without variable lease payments	7	3,548	–	3,548
Restaurants without variable lease payments	4	5,449	–	5,449
Restaurants with variable lease payments	32	24,761	3,154	27,915
Total	43	33,758	3,154	36,912

2021

	Number of leases	Fixed payments <i>HK'000</i>	Variable payments <i>HK'000</i>	Total payments <i>HK'000</i>
Office premises, warehouse and staff quarters without variable lease payments	8	7,395	–	7,395
Restaurants without variable lease payments	5	4,559	–	4,559
Restaurants with variable lease payments	30	19,760	4,751	24,511
Total	43	31,714	4,751	36,465

The overall financial effect of using variable payment terms is that higher rental costs are incurred by restaurants with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of restaurants sales in future years.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments comprise:–

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade debtors	6,535	3,336
Less: loss allowance	(478)	(478)
	<u>6,057</u>	<u>2,858</u>
Rental and utility deposits	11,504	14,234
Prepayments	947	1,347
Other debtors	622	1,047
	<u>19,130</u>	<u>19,486</u>

(a) Loss allowance

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning and end of the year	<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, which included outstanding balances for credit card settlements, based on the invoice date (net of loss allowance), at the end of the reporting period:–

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	5,979	2,845
31 – 60 days	29	9
61 – 90 days	13	3
91 – 180 days	36	1
	<u>6,057</u>	<u>2,858</u>

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

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

	2021 HK\$'000	2020 <i>HK\$'000</i>
Neither past due nor impaired	<u>5,979</u>	<u>2,845</u>
Past due but not impaired:–		
1 – 30 days	29	9
31 – 60 days	13	2
61 – 90 days	<u>36</u>	<u>2</u>
	<u>78</u>	13
	<u>6,057</u>	<u>2,858</u>

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

Trade debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, 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.

10. CASH AND CASH EQUIVALENTS

	2021 HK\$'000	2020 <i>HK\$'000</i>
Cash and bank balances	<u>72,369</u>	<u>82,552</u>

As at 31 March 2021, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK\$6,283,000 (2020: approximately HK\$4,850,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

11. CREDITORS AND ACCRUALS

Creditors and accruals comprise:–

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade creditors	10,843	9,820
Accruals and provisions	11,431	14,276
Other creditors	7,993	11,593
Other loans – <i>Note 11(a)</i>	114,867	124,027
	145,134	159,716
Less: classified in non-current liabilities	(519)	(944)
Classified in current liabilities	144,615	158,772

Notes:–

- (a) Other loans of approximately HK\$112,091,000 (2020: approximately HK\$121,479,000) as at 31 March 2021 were unsecured, carried interest rate at 0.1% per month and repayable on 22 June 2021. The remaining amounts are interest-free and unsecured. On 17 June 2021, the lender of other loans signed a memorandum of loans with the Borrower, pursuant to which repayment date of the outstanding other loans balance of approximately HK\$109,801,000 as at 16 June 2021 was extended from 22 June 2021 to 22 June 2022.

Interest payable to the lender of approximately HK\$454,000 (2020: approximately HK\$3,201,000) is included in other creditors.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	9,994	4,623
31 – 60 days	284	3,064
61 – 90 days	–	1,017
91 – 180 days	5	679
Over 180 days	560	437
	10,843	9,820

12. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period:-

	Present value of minimum lease payments		Minimum lease payments	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Amounts payable:-				
Within one year	16,826	21,851	17,139	21,857
In the second to fifth year	10,725	17,662	10,945	19,334
	<u>27,551</u>	<u>39,513</u>	<u>28,084</u>	<u>41,191</u>
Less: Future finance charges			<u>(533)</u>	<u>(1,678)</u>
Present value of lease obligation			<u>27,551</u>	<u>39,513</u>

13. RELATED PARTY AND CONNECTED TRANSACTIONS

The Group had the following material transactions with its related parties as defined in HKAS 24 during the year:-

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expense on loan from the ultimate holding company* – <i>note</i>	<u>–</u>	<u>205</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expenses on loan from the ultimate holding company* – <i>note</i>	<u>–</u>	<u>205</u>

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

Note:-

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

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

Key management personnel compensation	2021	2020
	HK\$'000	HK\$'000
Fees for key management personnel	1,020	1,020
Salaries, allowances and other benefits in kind	3,503	3,488
Retirement scheme contributions	54	54
	4,577	4,562

14. SEGMENT AND ENTITY-WIDE INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly 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 principal business unit, and has one reportable and operating segment: food and beverage. Accordingly, the Group does not have any identifiable segment or any discrete information for segment reporting purpose.

(b) Geographical information

	PRC		Hong Kong/overseas		Consolidated	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	14,969	33,837	172,906	154,288	187,875	188,125
Other income	188	1,019	18,345	4,491	18,533	5,510
Total revenue	15,157	34,856	191,251	158,779	206,408	193,635
Non-current assets	508	8,258	32,119	39,153	32,627	47,411

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

(c) Major customers

The Group's customer base is diversified and no revenues from transactions with a single external customer amount to 10% or more of the Group's revenue for the years ended 31 March 2021 and 2020.

15. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

The Board would like to draw the users' attention that the Company's external auditor, without qualifying their opinion, has included the "Material Uncertainty Related to Going Concern" paragraph in the independent auditor's report in the consolidated financial statements of the Group for the year ended 31 March 2021.

Attention to note 1(d) above has been drawn by the Company's external auditor which indicates that as at 31 March 2021, the Group had net current liabilities and net liabilities of HK\$105,218,000 and HK\$84,588,000 respectively. As stated in note 1(d), these conditions, along with other matters as set forth in note 1(d) above, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Their opinion is not modified in respect of this matter.

16. DIVIDEND

No dividend has been paid or declared by the Company for the years ended 31 March 2021 and 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's audited revenue for the Reporting Period amounted to approximately HK\$187.9 million (2020: approximately HK\$188.1 million), representing a decrease of approximately 0.1% compared with the last financial year. Profit attributable to owners of the Company for the Reporting Period was approximately HK\$2.5 million (2020: loss of approximately HK\$23.0 million). The turnaround from loss to profit was mainly because (i) there was a decrease in the number of under-performing restaurants as the Group had reviewed the performance of restaurants and consolidated under-performing restaurants to further enhance the structure and reduce unnecessary expenses during the Reporting Period; (ii) as to Hong Kong market, our business was not as severely affected by the Novel Coronavirus as compared with our peers primarily because our cake shop business was less affected by the social distancing measures, and it put emphasis on the seasonal and festival products which has made a remarkable contribution to the Group's income during the Reporting Period; (iii) based on the result of impairment assessment, there was a substantial decrease in impairment loss recognized for the Reporting Period as compared to that of the corresponding period in 2020, given no impairment loss was recognized for the Reporting Period while an impairment loss on non-financial assets under the cash-generating unit of restaurants, café and cake shops of approximately HK\$10 million was recognized for the year ended 31 March 2020; (iv) the Group received wages subsidies under the Employment Support Scheme launched by the government of the Hong Kong Special Administrative Region (the "HKSAR") and subsidies from the Anti-epidemic Fund from the government of the HKSAR recorded as other income in the sum of approximately HK\$15.5 million for the Group's business activities carried out in Hong Kong during the Reporting Period; and (v) the Group recognized an one-off gain of approximately HK\$1.9 million from the disposal of subsidiaries for the operation of Japanese curry restaurants under the trade name of Shirokuma Curry in late September 2020.

INDUSTRY OVERVIEW

During the Reporting Period, the COVID-19 pandemic continued to spread around the world with more than 163 million confirmed cases recorded. Lockdown measures across countries during the pandemic outbreak dealt a severe blow to the global economy and business investment. According to the statistics from the Organisation for Economic Co-operation and Development (OECD) Economic Outlook, global GDP recorded a fall of 4.2% in 2020.

In China, the government was able to gain the upper hand on the COVID-19 situation and controlled the spread more efficiently than most countries in the world. The eased restrictions enabled the local economy to achieve a gradual rebound since the second quarter of 2020. According to the National Bureau of Statistics of China, the country's GDP expanded by 18.3% year-on-year in the first quarter of 2021 and 2.3% for the whole year of 2020. The visible growth was mainly driven by a surge in retail sales, industrial production and investment in fixed assets.

In Hong Kong, the food and beverage industry was one of the most severely industries impacted by the COVID-19 pandemic due to social distancing measures and border control. According to the Census and Statistics Department of Hong Kong, revenue generated by restaurants in the territory in 2020 was estimated at HK\$79.4 billion, which decreased by 29.4% in value and 30.0% in volume compared with the previous year. Meanwhile, revenue of the restaurants sector in the first quarter of 2021 was estimated at HK\$19.7 billion, with a decrease of 8.8% year-on-year. Nonetheless, the COVID-19 has changed the dining behavior of the public, and boosted the demand of takeaway and delivery services. The subsidies from the government and recent relaxation of social distancing measures for the catering industries since March 2021 helped the industry to experience an invigorating revival.

Aging population has become one of the most concerning social issues in the 21st century. According to the statistics from United Nation, the number and proportion of the elderly population in most countries in the world are increasing. One out of every six persons in the world will be 65 years old or above by 2050. By then, population of elderly who are 80 years old or above is expected to triple, from 143 million in 2019 to 426 million in 2050. The growth of aging population, along with urbanization and increased disposable income, have increased the public awareness of healthcare, thereby creating an immense demand for healthcare products and services. In addition, the COVID-19 has shifted people to focus more on overall wellness, further fueling the growth of the healthcare industry.

As for the e-cigarette industry, data from iMedia Research revealed that the size of China's e-cigarette market increased significantly from RMB550 million in 2013 to RMB8.33 billion in 2020, with an 8-year compound annual growth rate of 72.5%. China is the largest potential market of e-cigarettes, with approximately 287 million adult combustible tobacco product users and e-cigarettes' penetration rate of less than 1%. Meanwhile, the expansion of global e-cigarette market expedited. In 2020, the global e-cigarette industry's market sales continued to grow, increasing 15.6% year-on-year to USD 42.4 billion, whilst the number of global e-cigarette companies increased remarkably from 45,000 in 2013 to 170,000 in 2020, manifesting the growing popularity of e-cigarettes in different parts of the world.

BUSINESS REVIEW

This is a long battle against COVID-19, as we have been fighting against this invisible enemy for over a year. Stringent social distancing measures implemented by the Hong Kong Government dragged down the market sentiment and activities of food and beverage industry. However, we do agree that the business market should concentrate on cooperation rather than competition in this critical period of time. Thank you for the encouragement, support and patience from our loyal customers and suppliers, and diligent staff. With the aid from the government, the Group's food and beverage business achieved a sustainable result for the Reporting Period.

During the Reporting Period, the Group's food and beverage businesses are a collection of Japanese related concepts in Hong Kong, including Italian Tomato, Ginza Bairin and the disposed Shirokuma Curry.

Italian Tomato is the Group's major brand of restaurants, café and cake shops, and the major revenue contributor to the Group. After years of effort and development, Italian Tomato has already been a well-recognized brand in Hong Kong. Social distancing could not keep our loyal customers apart from Italian Tomato, the result of the Reporting Period is encouraging. Other than the traditional products offered by Italian Tomato, the management also puts emphasis on the seasonal and festival products during the Reporting Period. Despite the food cost is unavoidably higher, the result is promising which gives encouragement and confidence to the management for enlarging the network of Italian Tomato. 5 additional cake shops were opened in the Reporting Period and as at 31 March 2021, there are 6 cafés and 25 cake shops in Hong Kong. In order to strengthen the contribution from Italian Tomato, the management is studying various ways to lower the high food cost factor and maintain the gross profit margin.

Ginza Bairin, the Japanese tonkatsu, maintains a satisfactory result during the Reporting Period even though the market sentiment is weak. Because a small but steady population of tonkatsu lover is addicted to Ginza Bairin's taste, the management may consider further development if the market condition allows. As at 31 March 2021, Ginza Bairin has 1 shop in Hong Kong.

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

During the Reporting Period, the Group continued to expand its penetration in the healthcare market. In July 2020, StarGlory Enterprise Management, the Group's indirect wholly-owned subsidiary, entered into an operational service agreement with Huayin (Shenzhen) Biotechnology Co., Ltd ("**Huayin Biotechnology**") for providing management and sale services to Huayin Biotechnology for three years. In December 2020, Huayin Biotechnology officially launched a series of new skincare products in relation to freckle removal and skin whitening. Through trading skincare products, the Group successfully made massive breakthroughs in its healthcare business and recorded a handsome revenue of approximately HK\$3.1 million through sales of skincare products during the Reporting Period, marking a key milestone in new business advancement. Given the increasing customer demand and purchasing power of modern women in relation to beauty and skin maintenance, skincare products for freckle removal and skinwhitening have witnessed huge market demand and growth potential. By leveraging the biotechnology expertise of Huayin Biotechnology, the Group is set to diversify its revenue stream and improve its competitiveness so as to create a new growth driver for business development.

With regard to the e-cigarette business, the Group will continue monitoring the market condition prudently and reviewing investments in the industry, and may make necessary adjustments to resource allocation as appropriate, after taking into account all factors, including market environment and industry prospects, among others.

FUTURE PROSPECTS

This financial year was exceptionally challenging amidst uncertainties of the COVID-19 pandemic. Stepping into financial year 2021/2022, global economic growth is expected to remain subdued due to the resurgence of pandemic. Despite the roll out of COVID-19 vaccination programs, the global economy may take a longer time to fully recover. The International Monetary Fund (IMF) estimated that the global economy will grow at 6% in 2021, with the growth rate moderating to 4.4% in 2022. Meanwhile, mainland China experienced a significant economic growth in the post-COVID period, with its economy expanding 18.3% in the first three months of 2021 compared to the same quarter last year. Industrial output for March rose by 14.1% over a year ago, while retail sales grew 34.2%. To adapt to the changes in consumers' behavior from offline to online, corporates are required to expedite the development of e-commerce whilst the mainland China's catering industry are called for more cooperation with online food delivery platforms, hence keeping pace with the evolving trends.

With the upward trend of “home meals”, Hong Kong also saw an inevitable shift to takeaway and food delivery services. To seize the flourishing opportunities arising from this new trend and gain a foothold in the food delivery industry, the Group will continue to strategically enhance its takeaway business by working closely with leading third-party food ordering platforms. Meanwhile, the Group will realign its marketing campaigns of food delivery promotions, discounts on takeaway and Online-to-Offline services to bolster its revenue base. To ensure food safety and hygiene in its restaurants, the Group will strengthen staff training, emphasizing new hygiene and service measures to gain consumers’ confidence. The Group will also continue to negotiate with landlords for rental reductions and concessions following the COVID-19 outbreak, which help ease pressure on rental and related expenses. Moreover, since the cake shop business of Italian Tomato has shown great resilience against impacts from the COVID-19, the Group will allocate more resources to strategically expand cake shop business in various areas in Hong Kong.

Followed by the acquisition of 70% of the equity interests of Huayin Biotechnology in May 2021, the Group will constantly review its business strategies and deepen its partnership with Huayin Biotechnology, to capture the growing business opportunities due to rapidly aging population and rising demand for healthcare products and services. Meanwhile, the Group will double its effort to establish strategic collaboration with beauty salons, hospitals and pharmacies. Considering that encouraging business advancement and enormous potential have been witnessed in healthcare business, the Group will accelerate the development of this newly developed business segment with increasing investment, and continue to identify suitable acquisition targets. Through relentlessly scaling the business and enriching product portfolio with a prudent approach, the Group is confident in capturing the immense market demand and opportunities arising from the prevailing skincare trend, thus creating remarkable returns and diversifying operational risk in the challenging business environment.

Regarding the e-cigarette business, capitalizing on the robust e-cigarette industry and increasing export demand, the Group will continue monitoring the market condition prudently and reviewing investment in the industry. Necessary adjustments to resource allocation may be adopted as appropriate, after taking into account all factors, including market environment and industry prospects, among others.

FINANCIAL REVIEW

Consolidated results of operations

For the Reporting Period, the Group recorded a total revenue of approximately HK\$187.9 million (2020: approximately HK\$188.1 million) which were from provision of food and beverage services and others and sales of skincare products of approximately HK\$184.8 million and HK\$3.1 million respectively (2020: approximately HK\$188.1 million and Nil respectively), representing a decrease of approximately 0.1% compared with the previous year resulting from the closure of certain under-performing restaurants shops when leases expired or disposal of under-performing brand through disposal of subsidiaries and affected by the social gathering restrictions in relation to our restaurants and café business as required by the government of Hong Kong as a result of the COVID-19 epidemic.

Profit attributable to owners of the Company was approximately HK\$2.5 million (2020: loss of approximately HK\$23.0 million).

Gross profit

The gross profit margin from the operations of the Group was approximately 58% (2020: approximately 62%). The slight decrease in ratio was mainly attributable to the increase in costs of food ingredients and offering discounts on takeaway meals in order to reduce the impact of COVID-19 outbreak on the revenue.

Other income

Other income of the Group for the Reporting Period increased by 236.4% to approximately HK\$18.5 million (2020: approximately HK\$5.5 million). The increase was mainly due to the receipt of wages subsidies under the Employment Support Scheme launched by the government of the HKSAR and subsidies from the Anti-epidemic Fund from the government of the HKSAR recorded as other income in the sum of approximately HK\$15.5 million for the Group's business activities carried in Hong Kong during the Reporting Period.

Expenses

The Group strived to exercise stringent cost control and further enhanced operational efficiency during the Reporting Period. As a result, total operating expenses for the operations decreased by approximately 6.7% to approximately HK\$120.1 million (2020: approximately HK\$128.7 million). It was generally in line with the decrease in revenue and also resulted from the closure of certain under-performing restaurants which further enhanced the structure and reduced unnecessary expenses.

Impairment loss

The non-financial assets subject to the impairment assessment for the years ended 31 March 2021 and 31 March 2020 was in relation to Mark Limited (together with its subsidiaries, the "**Mark Group**"), which is a subsidiary of the Company and is primarily engaged in the operation of restaurants, café and cake shops in Hong Kong.

During the Reporting Period, the Group has consolidated under-performing restaurants to further enhance the structure and reduce unnecessary expenses. The management of the Group expected that the cake shop business, which was the Group's main source of revenue, was less affected by the social distancing measures. Based on our estimation, the corresponding recoverable amounts of certain plant and equipment, other intangible assets and right-of-use assets are higher than the carrying amounts, indicating no impairment. No further impairments were recognised to write down the carrying amounts of these items of plant and equipment, other intangible assets and right-of-use assets. An impairment loss on non-financial assets under the cash-generating unit of restaurants, café and cake shops of approximately HK\$10 million was recognized for the year ended 31 March 2020.

During the year ended 31 March 2020, the impairment loss was mainly attributable to the uncertainties of the global and local economy as well as the unfavorable industry environment, which posed a negative impact on the Group's restaurant operations. These uncertainties also led to sluggish local investment and consumption sentiments in Hong Kong. The management of the Company concluded there was indication of impairment and conducted impairment assessment on recoverable amounts of certain non-financial assets associated to the Mark Group.

Based on the result of the assessment for the year ended 31 March 2020, management of the Company determined that the recoverable amount of Mark Group is lower than the carrying amount. Based on the value-in-use calculation and the allocation, impairment loss of approximately HK\$1.1 million, HK\$2.4 million and HK\$6.5 million were recognized against the carrying amount of plant and equipment, other intangible assets and right-of-use assets, respectively.

Financial resources and liquidity

During the Reporting Period, the Group generally relied on internal funds, loans from the sole beneficial owner of the convertible bonds issued by the Company and fund raised from rights issue to finance its operation.

As at 31 March 2021, the Group's current assets amounted to approximately HK\$97.2 million (2020: approximately HK\$104.5 million) of which approximately HK\$72.4 million (2020: approximately HK\$82.6 million) was cash and bank deposits, approximately HK\$19.1 million (2020: approximately HK\$19.5 million) was debtors, deposits and prepayments. The Group's current liabilities amounted to approximately HK\$202.4 million (2020: approximately HK\$182.5 million), including creditors and accruals in the amount of approximately HK\$144.6 million (2020: approximately HK\$158.8 million).

As at 31 March 2021, convertible bonds issued by the Company amounted to approximately HK\$39.8 million (2020: approximately HK\$39.4 million). On 15 August 2018, the Company entered into the supplemental deed with the bondholder pursuant to which the Company and bondholder agreed to extend the maturity date of the convertible bonds for 36 months from the date falling on the sixth anniversary to the ninth anniversary of the date of issue of the convertible bonds. Save and except the amendment to the maturity date pursuant to the supplemental deed, all the terms and conditions of the convertible bonds remain unchanged, valid and in full force. More details regarding the extension of the maturity date of the convertible bond are set out in the announcement of the Company dated 15 August 2018. As at 31 March 2021, convertible bonds issued by the Company amounting to approximately HK\$39.8 million will mature within twelve months, which was treated as current liabilities as at 31 March 2021 whereas approximately HK\$39.4 million was included in non-current liabilities in last year.

The current ratio and quick assets ratio of the Group as at 31 March 2021 were 0.48 and 0.45 respectively (2020: 0.57 and 0.56 respectively). As the Group incurred net liabilities as at 31 March 2021 and 31 March 2020, there is no debt-to-equity ratio, which is expressed as a ratio of total debts less cash and bank balances to total equity, to be calculated. The gearing ratio of the Group, which is calculated by dividing 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 multiplying by 100% was 165 % (2020: 158%).

Foreign exchange

During the years ended 31 March 2021 and 31 March 2020, 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 year ended 31 March 2021, no hedging transactions or other exchange rate arrangements were made (2020: Nil).

Charges on the Group's assets

No Group's assets had been pledged or charged as at 31 March 2021 (2020: Nil).

Acquisition, disposal and significant investment held

On 23 September 2020, Marvel Success Limited (a wholly-owned subsidiary of the Company), as the seller, and Shirokuma & Co., the licensor of Shirokuma Curry, as the purchaser, entered into an agreement for the transfer of (i) the entire issued share capital of Townsman Limited; and (ii) the shareholder's loan (being the total book value of the shareholder's loan due to Marvel Success Limited by Townsman Limited) at an aggregate consideration of JPY45,000,000 (equivalent to approximately HK\$3.3 million). Upon completion, the seller and the Group will cease to hold any interest in Townsman Limited. The transaction was a discloseable transaction under the GEM Listing Rules. For further details, please refer to the announcement dated 23 September 2020. Save as disclosed above, the Group did not carry out other significant acquisition, disposal nor significant investment during the Reporting Period.

Save as disclosed in the section headed "Use of Proceeds From the Rights Issue" on page 30 to 32 of this results announcement, the Group did not have any specific future plans for material investments or capital assets as at 31 March 2021.

Capital commitments

As at 31 March 2021, the Group's outstanding capital commitments were approximately HK\$4,616,000 (2020: approximately HK\$3,221,000).

Contingent liabilities

As at 31 March 2021, the Group did not have material contingent liabilities (2020: Nil).

Employees and remuneration policies

As at 31 March 2021, the Group had 231 employees in Hong Kong and the PRC (2020: 275 employees in Hong Kong and the PRC). The remuneration of employees of the Group is determined by reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward of their contributions. Other fringe benefits such as medical subsidies, medical insurance, education/training subsidies and pension fund plans are offered to most employees. In prior years, share options were granted at the discretion of the Board under the terms and conditions of the new share option scheme adopted on 20 July 2012 as well as the previous share option scheme adopted on 26 February 2003. No share option was granted during the two years ended 31 March 2021 and 31 March 2020 and as at those dates, there was no outstanding share option.

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 allotting and issuing 1,388,725,000 rights shares (the “**Rights Shares**”) by way of rights issue (the “**Rights Issue**”) at the subscription price of HK\$0.072 per Rights Shares, on the basis of one (1) Rights Shares for every two (2) existing Shares held on 19 May 2017. Completion of the Rights Issue took place on 14 June 2017.

Among the net proceeds (the “**Net Proceeds**”) of the Rights Issue of approximately HK\$99 million, as at 31 March 2021, approximately HK\$15.3 million, HK\$20.0 million, HK\$2.9 million and HK\$14.8 million have been used as operation and expansion of the existing food and beverage business, the Company’s corporate expenses, investment in e-cigarette business in the PRC and investment in medical and healthcare business respectively. As at 31 March 2021, approximately HK\$46.0 million of the Net Proceeds remained unutilized 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 31 March 2020 and 31 March 2021:

Summary of use of the 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>	Actual amount utilized up to 31 March 2020 <i>HK\$ million</i>	Unutilized balance as at 31 March 2020 <i>HK\$ million</i>	Re-allocation of the unutilized amount during the year ended 31 March 2021 <i>HK\$ million</i>	Actual amount utilized up to 31 March 2021 <i>HK\$ million</i>	Unutilized balance as at 31 March 2021 <i>HK\$ million</i>
Operation and expansion of the existing food and beverage business	29.0	–	(9.0)	20.0	–	(15.3)	13.7
Company’s corporate expenses	20.0	–	(18.9)	1.1	–	(20.0)	–
Repayment of bank loans	15.0	(15.0)	–	–	–	–	–
Potential investment opportunities	35.0	–	–	35.0	(12.0)	–	23.0
Investment in, research and development, sales and marketing of e-cigarette in the PRC and overseas countries	–	15.0	(2.9)	12.1	(2.8)	(2.9)	9.3
Investment in medical and healthcare business	–	–	–	–	14.8	(14.8)	–
	<u>99.0</u>	<u>–</u>	<u>(30.8)</u>	<u>68.2</u>	<u>–</u>	<u>(53.0)</u>	<u>46.0</u>

During the Reporting Period, the Group pursued a prudent yet efficient network expansion strategy and up to 31 March 2021, Net Proceeds amounting to approximately HK\$15.3 million had been utilized for operating and expanding existing food and beverage business and the unutilized balance of approximately HK\$13.7 million allocated for this purpose is expected to be fully utilized by 31 October 2022.

As at 31 March 2021, 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 31 March 2021, the Group utilized approximately HK\$2.9 million of the Net Proceeds from the Rights Issue to invest in the e-cigarette business in the PRC, including setting up Huizhou office and purchasing new equipment. And, approximately HK\$2.8 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\$9.3 million allocated for this purpose is expected to be fully utilized by 31 July 2023.

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 31 March 2021, approximately HK\$14.8 million in total, which represented by HK\$2.8 million and 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 negotiation talk 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 31 March 2021. 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 2023. 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, save as set out in elsewhere in 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.

EVENTS AFTER THE REPORTING PERIOD

- (i) On 14 May 2021, the Group completed the acquisition of 70% equity interest in Huayin (Shenzhen) Biotechnology Co., Ltd (華胤(深圳)生物科技有限公司), which is currently developing biotechnology technology and skincare products, at a total consideration of RMB100.
- (ii) On 17 June 2021, the 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 the Borrower, pursuant to which the outstanding other loans are unsecured, carried interest rate at 0.1% per month and the balance of approximately HK\$109,801,000 as at 17 June 2021 will be repayable by the Borrower on 22 June 2022.

PERMITTED INDEMNITY PROVISION

Article 167(1) of the articles of association of the Company provides that every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts. A Directors' Liability Insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the aggregate amounts of revenue attributable to the Group's five largest customers was less than 30% (2020: less than 30%) of the Group's total revenue. And, the aggregate amounts of purchases attributable to the Group's five largest suppliers accounted for approximately 44% (2020: less than 30%) and our single largest supplier accounted for approximately 18% (2020: approximately 15%) of the Group's total purchases.

None of the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) has any interest in the Group's five largest suppliers or customers during the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Group were entered into or existed during the Reporting Period.

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

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

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

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

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

As at 31 March 2021, according to the register kept by the Company pursuant to section 336 of the SFO, so far as the Directors were aware, the following persons (other than the Directors whose interests are disclosed above) 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 under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept under section 336 of the SFO:

Long positions in Shares

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

Notes:

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

Save as disclosed above, as at 31 March 2021, so far as the Directors were aware, the Directors were not aware of any person (other than the Directors whose interests are disclosed above) who had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or had any options in respect of such capital.

SHARE OPTIONS

No share option was granted during the two years ended 31 March 2021 and 31 March 2020 and as at these dates, there was no outstanding share option.

COMPETING INTERESTS

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

AUDIT COMMITTEE

The Company had established an Audit Committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The Audit Committee comprised of three independent non-executive Directors, namely Mr. Chan Yee Ping Michael, Mr. Deng Guozhen and Mr. Zeng Shiquan. Following Mr. Deng Guozhen's resignation with effect from 11 December 2020, Mr. Yang Haiyu has been appointed as a member of the Audit Committee in his place. Mr. Chan Yee Ping Michael currently serves as the chairman of the Audit Committee and he possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules.

Up to the date of approval of the Group's unaudited results for the year ended 31 March 2021, the Audit Committee had held four meetings and had reviewed the draft report and accounts for the year ended 31 March 2021 prior to recommending such report and accounts to the Board for approval.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the Reporting Period, the Company adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Company's Directors have complied with such required standard of dealings and its code of conduct regarding Directors' securities transactions.

CORPORATE GOVERNANCE

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. The Company has complied with the Code Provisions the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules throughout the Reporting Period.

SCOPE OF AUDITOR'S WORK ON ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto for the year ended 31 March 2021 as set out in the preliminary annual results announcement have been agreed by the Company's auditor, PKF Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2021. The work performed by PKF Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PKF Hong Kong Limited on the preliminary annual results announcement.

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

Hong Kong, 24 June 2021

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

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