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 2022

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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 2022 (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 2022

	Notes	**2022** ***HK$'000***	2021 *HK$'000*
Revenue	*2*	**171,884**	187,875
Cost of sales		**(76,576)**	(79,557)
Gross profit		**95,308**	108,318
Other income	*3*	**3,348**	18,533
(Loss)/gain on disposal of subsidiaries	*4*	**(1,699)**	1,893
Operating expenses		**(112,339)**	(120,113)
Operating (loss)/profit		**(15,382)**	8,631
Finance costs	*5(a)*	**(5,554)**	(5,780)
(Loss)/profit before income tax	*5*	**(20,936)**	2,851
Income tax credit/(expense)		**248**	(436)
(Loss)/profit for the year		**(20,688)**	2,415
(Loss)/profit for the year attributable to:–			
Owners of the Company		**(19,810)**	2,521
Non-controlling interests		**(878)**	(106)
		(20,688)	2,415
			(Restated)
(Loss)/earnings per share (HK cents)	*7*		
– Basic		**(3.80)**	0.48
– Diluted		**(3.80)**	0.48

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	2022	2021
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(20,688)**	2,415
Other comprehensive (loss)/income:–		
Item that may be subsequently reclassified to profit or loss:–		
Exchange loss arising from translation of financial statements of foreign operations	**(831)**	(1,095)
Release of exchange reserve upon disposal of subsidiaries	**19**	1,671
Other comprehensive (loss)/income for the year, net of tax	**(812)**	576
Total comprehensive (loss)/income for the year	**(21,500)**	2,991
Total comprehensive (loss)/income for the year attributable to:–		
Owners of the Company	**(20,613)**	3,097
Non-controlling interests	**(887)**	(106)
	(21,500)	2,991

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	**2022** **HK$'000**	2021 HK$'000
NON-CURRENT ASSETS			
Plant and equipment		**5,759**	5,258
Goodwill		**–**	–
Other intangible assets		**6,614**	7,228
Right-of-use assets	*8*	**21,281**	20,120
Deposits paid for plant and equipment		**–**	21
		33,654	32,627
CURRENT ASSETS			
Inventories		**2,152**	5,712
Debtors, deposits and prepayments	*9*	**17,582**	19,130
Income tax recoverable		**200**	–
Time deposits	*10*	**10,000**	–
Cash and cash equivalents	*10*	**51,474**	72,369
		81,408	97,211
DEDUCT:–			
CURRENT LIABILITIES			
Creditors and accruals	*11*	**151,411**	144,615
Contract liabilities		**1,005**	807
Lease liabilities	*12*	**20,337**	16,826
Convertible bonds		**–**	39,771
Income tax payable		**–**	410
		172,753	202,429
NET CURRENT LIABILITIES		**(91,345)**	(105,218)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**57,691**	(72,591)
NON-CURRENT LIABILITIES			
Creditors and accruals	*11*	**257**	519
Lease liabilities	*12*	**8,002**	10,725
Deferred tax liabilities		**505**	753
Convertible bonds		**40,000**	–
		48,764	11,997
NET LIABILITIES		**(106,455)**	(84,588)
REPRESENTING:–			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		**41,662**	41,662
Reserves		**(146,863)**	(126,250)
		(105,201)	(84,588)
NON-CONTROLLING INTERESTS		**(1,254)**	–
TOTAL EQUITY		**(106,455)**	(84,588)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 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 1.4.2020	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
Total 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 and 1.4.2021	41,662	(390,475)	258,889	3,801	128	1,390	17	(84,588)	–	(84,588)
Acquisition of subsidiaries – *Note 15*	–	–	–	–	–	–	–	–	(802)	(802)
Disposal of subsidiaries – *Note 4*	–	–	–	–	–	–	–	–	435	435
Total comprehensive income										
Loss for the year	–	(19,810)	–	–	–	–	–	(19,810)	(878)	(20,688)
Other comprehensive loss:–										
Exchange loss arising from translation of financial statements of foreign operations	–	–	–	–	(822)	–	–	(822)	(9)	(831)
Release of exchange reserve upon disposal of subsidiaries – *Note 4*	–	–	–	–	19	–	–	19	–	19
Total comprehensive loss for the year	–	(19,810)	–	–	(803)	–	–	(20,613)	(887)	(21,500)
At 31.3.2022	**41,662**	**(410,285)**	**258,889**	**3,801**	**(675)**	**1,390**	**17**	**(105,201)**	**(1,254)**	**(106,455)**

Notes:

1. BASIS OF PREPARATION

StarGlory Holdings Company Limited 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 2022 was Ms. Huang Li ("**Ms. Huang**" or the "**Controlling Shareholder**").

The Company is listed on GEM of the Stock Exchange.

(a) Compliance with Hong Kong Financial Reporting Standards

These 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. These 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 amendments to HKFRSs:–

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the application of the above amendments to HKFRS in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 Leases ("**HKFRS 16**") by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of this amendment has had no material impact on the Group's financial positions and performance for the current and prior years.

(c) HKFRSs in issue but not yet effective

The following new and amendments to HKFRSs in issue at 31 March 2022 have not been applied in the preparation of these consolidated financial statements since they were not yet effective for the annual period beginning on 1 April 2021:–

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
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)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[1]

[1] Effective for annual periods beginning on or after 1 January 2022
[2] Effective for annual periods beginning on or after 1 January 2023
[3] Effective for annual periods beginning on or after a date to be determined

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. These consolidated financial statements have been prepared by the Directors on a going concern basis notwithstanding that as at 31 March 2022, the Group had net current liabilities and net liabilities of HK$91,345,000 and HK$106,455,000 respectively as the Directors considered that:–

(1) Ms. Huang, being 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, Mr. Tang Sing Ming Sherman, as a lender, who is also the sole beneficial owner of the convertible bonds ("**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 Mr. Tang 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 loan from Mr. Tang is interest-free, unsecured 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 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 others 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:–

	2022	2021
	HK$'000	*HK$'000*
Revenue from customers and recognized at a point in time		
– Provision of food and beverage services and others	**170,460**	184,765
– Sales of skincare products	**1,424**	3,110
	171,884	187,875

3. OTHER INCOME

	2022	2021
	HK$'000	*HK$'000*
Government grants – *Note 3(a)*	**1,100**	15,463
Interest income	**148**	456
Service fee income	**1,674**	1,521
Franchise fee income	**–**	135
Gain on lease modification	**–**	163
Gain on disposal of plant and equipment	**143**	–
Exchange gain, net	**16**	–
Miscellaneous items	**267**	795
	3,348	18,533

Note:–

(a) For the year ended 31 March 2022, government grants represent the subsidies received from Anti-epidemic Fund of the government of the HKSAR.

For the year ended 31 March 2021, it represented 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. (LOSS)/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 to as the "**Townsman Group**") to Shirokuma & Co., which is an independent third party, at an aggregate cash 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:

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

During the year ended 31 March 2022, the Group disposed of its entire issued share capital in 無斑時代國際生物科技(深圳)有限公司 and its subsidiary (collectively referred to as the "**無斑時代 Group**") to an independent third party, at an aggregate cash consideration of RMB100 (equivalent to approximately HK$123).

The net assets of 無斑時代 Group being disposed of were as follows:

	HK$'000
Plant and equipment	195
Goodwill	2,098
Inventories	6,721
Debtors, deposits and prepayments	1,305
Cash and bank balances	579
Creditors and accruals	(9,653)
Net assets disposed of	1,245
Release of exchange reserve	19
	1,264
Non-controlling interests	435
Loss on disposal of subsidiaries	(1,699)
	–
Total consideration satisfied by:–	
Cash consideration	–
Net cash outflow arising:–	
Cash consideration received	–
Cash and bank balances disposed of	(579)
	(579)

5. (LOSS)/PROFIT BEFORE INCOME TAX

	2022	2021
	HK$'000	*HK$'000*
(Loss)/profit before income tax is arrived at after charging/(crediting):–		
(a) Finance costs:–		
Interest expenses on other loans	**1,359**	1,393
Interest expense on convertible bonds	**800**	800
Imputed interest expense on convertible bonds	**229**	384
Interest expenses on lease liabilities	**1,043**	1,217
Other bank charges	**2,123**	1,986
	5,554	5,780
(b) Other items:–		
Amortization of other intangible assets	**753**	772
Depreciation of plant and equipment	**3,452**	3,248
Depreciation of right-of-use assets	**22,681**	22,931
Auditor's remuneration for audit services	**651**	709
Auditor's remuneration for non-audit services	**8**	–
Exchange (gain)/loss, net	**(16)**	28
Variable lease payment not included in the measurement of lease liabilities	**3,720**	5,437
COVID-19 related rent concessions from lessors	**(460)**	(686)
Short-term lease expenses	**6,013**	8,417
Directors' remuneration	**1,020**	1,020
Other staff salaries and benefits	**60,208**	61,211
Retirement scheme contributions	**2,691**	2,566
Other staff costs	**62,899**	63,777
Cost of inventories sold	**76,576**	79,557
Deposits paid for plant and equipment written-off	**–**	600
(Gain)/loss on disposal and written off of plant and equipment, net	**(143)**	504

6. INCOME TAX

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

	2022	2021
	HK$'000	*HK$'000*
Current tax: –		
– Provision for the year	**–**	89
– Over-provision in prior years	**–**	(926)
Deferred tax (credit)/charge	**(248)**	1,273
Income tax (credit)/expense	**(248)**	436

(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 the 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 8.25% and the remaining assessable profits are taxed at 16.5%.

(b) The income tax (credit)/expense for the year can be reconciled to the (loss)/profit before income tax per consolidated statement of profit or loss for the year as follows:–

	2022	2021
	HK$'000	*HK$'000*
(Loss)/profit before income tax	**(20,936)**	2,851
Tax effect at the Hong Kong profits tax rate of 16.5% (2021: 16.5%)	**(3,454)**	470
Tax rates differential	**616**	797
Tax effect of income that is not taxable	**(1,060)**	(2,925)
Tax effect of expenses that are not deductible	**614**	450
Tax effect of unused tax losses not recognized	**3,088**	2,669
Tax effect of utilization of tax losses not recognized	**(52)**	–
Over-provision in prior years	**–**	(926)
Tax effect of two-tiered profits tax rates regime	**–**	(89)
Tax concession	**–**	(10)
Income tax (credit)/expense	**(248)**	436

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

(i) The Group's total tax loss from its Hong Kong subsidiaries and PRC subsidiaries are approximately HK$58,892,000 (2021: HK$57,001,000) and HK$50,446,000 (2021: HK$38,419,000), respectively. The unutilized tax losses accumulated in the Hong Kong subsidiaries of the Company amounted to approximately HK$57,174,000 (2021: approximately HK$57,001,000) can be carried forward indefinitely. The unutilized tax losses accumulated in PRC subsidiaries amounted to approximately HK$50,446,000 (2021: approximately HK$38,419,000) can be carried forward for a maximum of 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 subsidiaries 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. The PRC subsidiaries do not have any undistributed profits as at 31 March 2022 and 2021.

7. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of HK$19,810,000 (2021: profit attributable to owners of the Company of HK$2,521,000) and the weighted average number of ordinary shares of 520,771,875 (2021 (restated): ordinary shares of 520,771,875) in issue during the year ended 31 March 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 earnings per share have been adjusted on the assumption that the Share Consolidation has been effective since the beginning of the prior year.

The computation of diluted loss per share (2021: earnings 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 both 2022 and 2021.

8. RIGHT-OF-USE ASSETS

	Leasehold properties *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost:–			
At 1.4.2020	57,153	–	57,153
Additions	16,838	491	17,329
Disposal of subsidiaries – Note 4	(8,492)	–	(8,492)
Expiry of leases arrangements	(11,071)	–	(11,071)
Lease modification	(2,163)	–	(2,163)
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 – Note 4	(3,197)	–	(3,197)
Expiry of leases arrangements	(11,071)	–	(11,071)
Written back on lease modification	(646)	–	(646)
At 31.3.2021	25,890	205	26,095
Accumulated impairment:–			
At 1.4.2020 and 31.3.2021	6,541	–	6,541
Net book value:–			
At 31.3.2021	19,834	286	20,120

	Leasehold properties *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost:–			
At 1.4.2021	52,265	491	52,756
Exchange adjustment	101	–	101
Additions	23,274	491	23,765
Expiry of leases arrangements	(19,731)	–	(19,731)
At 31.3.2022	**55,909**	**982**	**56,891**
Accumulated depreciation:–			
At 1.4.2021	25,890	205	26,095
Exchange adjustment	24	–	24
Charge for the year	22,252	429	22,681
Expiry of leases arrangements	(19,731)	–	(19,731)
At 31.3.2022	**28,435**	**634**	**29,069**
Accumulated impairment:–			
At 1.4.2021 and 31.3.2022	**6,541**	**–**	**6,541**
Net book value:–			
At 31.3.2022	**20,933**	**348**	**21,281**

The Group has entered into lease agreements to obtain the right to use properties as its office premises, restaurants, cafés, cake shops and motor vehicles and as a result recognised corresponding lease liabilities (Note 12). The leases (other than short-term leases) typically run for an initial period of 1 to 3 years. In determining the lease term, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Variable lease payments

Leases of restaurants, cafés and cake shops are either with only fixed lease payments or contain variable lease payment that are based on 9% to 25% (2021: 9% to 25%) of sales and minimum annual lease payment that are fixed over the lease term. The payment terms are common in restaurants, cafés and cake shops in the locations where the Group operates. Leases of office premises, warehouses, staff quarters and motor vehicles are with fixed lease payments only. The amounts of fixed and variable lease payments paid/payable to relevant lessors (including short-term leases) for the years ended 31 March 2022 and 2021 include:

2021

	Number of leases	Fixed payments *HK'000*	Variable payments *HK'000*	Total payments *HK'000*
Office premises, warehouse, staff quarters and a motor vehicle without variable lease payments	9	7,638	–	7,638
Restaurants, cafés and cake shops without variable lease payments	5	4,559	–	4,559
Restaurants, cafés and cake shops with variable lease payments	30	19,760	4,751	24,511
Total	44	31,957	4,751	36,708

2022

	Number of leases	**Fixed payments** ***HK'000***	**Variable payments** ***HK'000***	**Total payments** ***HK'000***
Office premises, staff quarters and motor vehicles without variable lease payments	**10**	**6,849**	**–**	**6,849**
Restaurants, cafés and cake shops without variable lease payments	**1**	**684**	**–**	**684**
Restaurants, cafés and cake shops with variable lease payments	**34**	**22,397**	**3,260**	**25,657**
Total	**45**	**29,930**	**3,260**	**33,190**

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

9. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments comprise:–

	2022 *HK$'000*	2021 *HK$'000*
Trade debtors	**2,642**	6,535
Less: loss allowance	**(478)**	(478)
	2,164	6,057
Rental and utility deposits	**13,477**	11,504
Prepayments	**833**	947
Other debtors	**1,108**	622
	17,582	19,130

(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:–

	2022 *HK$'000*	2021 *HK$'000*
At the beginning and end of the year	**478**	478

(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:–

	2022 *HK$'000*	2021 *HK$'000*
0 – 30 days	**1,884**	5,979
31 – 60 days	**23**	29
61 – 90 days	**10**	13
91 – 180 days	**247**	36
	2,164	6,057

(c) Trade debtors that are not impaired

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

	2022	2021
	HK$'000	*HK$'000*
Neither past due nor impaired	**1,884**	5,979
Past due but not impaired:–		
1 – 30 days	**23**	29
31 – 60 days	**10**	13
61 – 90 days	**247**	36
	280	78
	2,164	6,057

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/TIME DEPOSITS

	2022	2021
	HK$'000	*HK$'000*
Cash and bank balances, including time deposits of HK$15,000,000 (2021: HK$35,000,000) with original maturity of less than 3 months	**51,474**	72,369
Time deposit with original maturity of more than 3 months	**10,000**	–
	61,474	72,369

Time deposits of HK$25,000,000 (2021: HK$35,000,000) carry fixed interest rate of 1.02% to 1.18% (2021: 0.35%) per annum.

As at 31 March 2022, cash and cash equivalents of the Group which is denominated in RMB amounted to approximately HK$18,206,000 (2021: approximately HK$6,283,000). 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:–

	2022 *HK$'000*	2021 *HK$'000*
Trade creditors	**6,700**	10,843
Accruals and provisions	**13,688**	11,431
Other creditors and payables	**9,209**	7,993
Other loans – Note 11(a)	**122,071**	114,867
	151,668	145,134
Less: amounts classified in non-current liabilities	**(257)**	(519)
Amounts classified in current liabilities	**151,411**	144,615

Note:–

(a) Other loan of approximately HK$102,991,000 (2021: approximately HK$112,091,000) as at 31 March 2022 is unsecured, carries interest rate at 0.1% per month and repayable on 22 June 2022. Remaining loan of HK$2,890,000 (2021: HK$2,776,000) is interest-free, unsecured and repayable on demand. On 14 June 2022, Mr. Tang Sing Ming Sherman, as a lender, 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 Mr. Tang 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 loan from Mr. Tang is interest-free, unsecured and repayable on demand.

Interest payable to this lender of approximately HK$1,723,000 (2021: approximately HK$454,000) is included in other creditors and payables.

Other loan of approximately HK$16,190,000 (2021: Nil) as at 31 March 2022 is unsecured and carries interest rate at 4.35% per annum. Amounts of approximately HK$12,330,000 and HK$3,860,000 are repayable on 28 January 2023 and 23 March 2023 respectively.

Interest payable to this lender of approximately HK$91,000 (2021: Nil) is included in other creditors and payables.

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

	2022 *HK$'000*	2021 *HK$'000*
0 – 30 days	**6,026**	9,994
31 – 60 days	**–**	284
61 – 90 days	**19**	–
91 – 180 days	**231**	5
Over 180 days	**424**	560
	6,700	10,843

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	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:–				
Within one year	**20,337**	16,826	**20,699**	17,139
In the second to fifth year	**8,002**	10,725	**8,312**	10,945
	28,339	27,551	**29,011**	28,084
Less: Future finance charges			**(672)**	(533)
Present value of lease obligation			**28,339**	27,551

13. RELATED PARTY AND CONNECTED TRANSACTIONS

The Group had no material transactions with its related parties and connected persons as defined in HKAS 24 and the GEM Listing Rules in both years.

The remunerations of Directors and other members of key management personnel during the year ended 31 March 2022 and 2021 were as follows:

Directors and key management personnel remunerations	**2022**	2021
	HK$'000	*HK$'000*
Fees	**1,020**	1,020
Salaries, allowances and other benefits in kind	**3,462**	3,503
Retirement scheme contributions	**54**	54
	4,536	4,577

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 principally 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	
	2022	2021	**2022**	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**1,424**	14,969	**170,460**	172,906	**171,884**	187,875
Other income	**660**	188	**2,688**	18,345	**3,348**	18,533
Total revenue	**2,084**	15,157	**173,148**	191,251	**175,232**	206,408
Non-current assets	**3,009**	508	**30,645**	32,119	**33,654**	32,627

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 (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 2022 and 2021.

15. ACQUISITION OF SUBSIDIARIES

On 14 May 2021, the Group completed the acquisition of 70% equity interest in 華胤(深圳)生物科技有限公司 and its subsidiaries (collectively referred to as the "**Huayin Group**") which are engaged in developing biotechnology technology and skincare products, at a total cash consideration of RMB100 (equivalent to approximately HK$120). The acquisition was accounted for using the acquisition method.

The fair value of the identifiable assets and liabilities of the Huayin Group acquired at the date of acquisition was as follows:

	HK$'000
Plant and equipment	246
Inventories	3,948
Debtors, deposits and prepayments	1,397
Cash and bank balances	443
Creditors and accruals	(8,614)
Contract liabilities	(320)
Net liabilities acquired	(2,900)
Non-controlling interests	802
Goodwill	2,098
Cash consideration and net cash flow arising from acquisition of subsidiaries	443

The non-controlling interests recognised at the acquisition date were measured with reference to the non-controlling interests' proportionate share of fair value of the net liabilities at that date.

Goodwill arose in the acquisition of Huayin Group because the cost of the combination effectively included amounts in relation to the benefit of expected future revenue growth, future market development and business potential through strategic collaboration with beauty salons, hospitals and pharmacies. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Since the acquisition, Huayin Group contributed revenue of HK$914,000 to the Group and loss for the year of HK$3,742,000 to the Group for the year ended 31 March 2022.

Had the acquisition taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been HK$171,931,000 and HK$20,815,000, respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2021 nor is it intended to be a projection of future results.

16. 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 2022.

Attention to Note 1(d) above has been drawn by the Company's external auditor which indicates that as at 31 March 2022, the Group had net current liabilities and net liabilities of HK$91,345,000 and HK$106,455,000 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.

17. DIVIDEND

No dividend has been paid or declared by the Company for the years ended 31 March 2022 and 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's audited revenue for the Reporting Period amounted to approximately HK$171.9 million (2021: approximately HK$187.9 million), representing a decrease of approximately 8.5% compared with the last financial year. Loss attributable to owners of the Company for the Reporting Period was approximately HK$19.8 million (2021: profit of approximately HK$2.5 million). Such loss was mainly due to the combined effect of (i) decrease in other income as a sum of approximately HK$1.1 million subsidies from the Anti-epidemic Fund from the government of the Hong Kong Special Administrative Region (the "**HKSAR**") ("**Anti-epidemic Fund**") was received and recognized as other income during the Reporting Period while wage subsidies under the Employment Support Scheme launched by the government of the HKSAR and subsidies from the Anti-epidemic Fund in a sum of approximately HK$15.5 million were recorded as other income for the Group's business activities carried out in Hong Kong during the corresponding period last year; (ii) 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; (iii) increase in operating expenses as the Group commenced full operation of its new healthcare business at the beginning of 2021, and has put some financial resources to develop this new segment; and (iv) a loss on disposal of subsidiaries in an amount of approximately HK$1.7 million was recognized for the Reporting Period.

INDUSTRY OVERVIEW

During the Reporting Period, increasing uptake of vaccinations against the COVID-19 and government fiscal stimulus boosted economic activity globally. However, new and highly transmissible COVID-19 variants such as Omicron emerged rapidly across the world, especially towards the end of 2021, resulting in soaring case numbers in many places and creating a major obstacle to full economic recovery and a rebound in consumer confidence.

China was among the world's fastest-growing major economies in 2021, thanks to its effective control of the pandemic throughout most of the year. The nation's economy rebounded, with its gross domestic product (GDP) expanding 8.1% year on year to RMB114.37 trillion (USD17.15 trillion), outperforming even the government's expectations. China's per capita GDP, at around USD12,500, exceeded the global average, with industrial production regaining its growth momentum and domestic demand gradually recovering. As the highly contagious Omicron variant took the world by storm during the first quarter of 2022, however, China's economic growth came under pressure as a result of the imposition of stringent pandemic control measures.

In Hong Kong, the food and beverage industry remained one of the most severely affected by the pandemic amid the "new normal" of social distancing measures and border controls. Nevertheless, the industry began to regain lost momentum as the local pandemic situation remained stable, with timely stimulus measures provided by the government, and the economy remained on track for recovery. Business sentiment in the food and beverage sector improved and there was something of a revival in employers' propensity to hire personnel.

According to the Census and Statistics Department (C&SD), the value of total receipts in the restaurant sector rose sharply by 29.1% in the fourth quarter of 2021, albeit from a low base the previous year. On a seasonally adjusted quarter-on-quarter basis, the value of total receipts in the sector increased by a further 1.6%, while for full-year 2021, total revenue in the sector rebounded by 16.8% from a low base in 2020.

However, the fortunes of the food and beverage industry took a sharp turn for the worse in the first quarter of 2022 due to a fifth wave of the pandemic and restrictions imposed in response to it. The value of total receipts in the restaurant sector fell by 23.1% year on year, and 40.2% on a seasonally adjusted quarter-on-quarter basis. Nevertheless, with an improvement in the local pandemic situation, the gradual relaxation of social distancing measures, and a new tranche of stimulus spending provided through the government's Consumer Voucher Scheme, the outlook for the food and beverage industry appears to be improving.

In mainland China, as life expectancy continues to improve, demand for healthcare services and products is accelerating commensurately, with people's pursuit of efficiency and quality in healthcare services intensifying. Dental care, in particular, has historically been a relatively underdeveloped segment of China's healthcare industry. However, thanks to improved knowledge of oral hygiene among the general public, the segment has demonstrated strong growth potential and has become an essential component of the healthcare market. China's dental industry is forecasted to enjoy a compound annual growth rate of 15.91% from 2020 to 2026. Such growth prospects can be attributed to increased awareness of oral health, a rapid expansion in the number of elderly people, and increased spending power among consumers that has enabled them to focus more on beauty and personal care.

The Chinese government is sharpening its focus on health issues, with particular regard to smoking. In the e-cigarette industry, for instance, the age of consumers is falling, with the highest rate of use among those in the 15-24 age group, and e-commerce platforms are the preferred purchasing channel for e-cigarette products, with a 45.4% market share, according to state media reports. In order to discourage minors and youngsters from using e-cigarettes, the government further strengthened supervision of the e-cigarette market during the Reporting Period. The State Tobacco Monopoly Administration issued a new version of the "Administrative Measure for Electronic Cigarettes" (the "**Measures**"), which was officially implemented on 1 May 2022. The "Measures" not only stipulate national standards for e-cigarettes, but also prohibit sales of e-cigarettes that have flavors other than that of tobacco and e-cigarettes that use atomization.

Promoting smoke-free societies is a major global trend, and many countries have established targets of reducing smoking prevalence to 5%. With a view to further eliminating the use of tobacco, the Hong Kong SAR government is also actively stepping up its anti-smoking efforts and imposing a total ban on the import, manufacture, sale, distribution and promotion of alternative smoking products, including e-cigarettes and heated cigarettes, with the aim of reducing the smoking rate to 7.8% by 2025.

BUSINESS REVIEW

The pandemic situation of COVID-19 continued for more than two years, and the food and beverage business of the Group has still been facing the impacts brought by the social distance and quarantine measures. During the Reporting Period, the revenue of the food and beverage business of the Group on one hand became struggling. On the other hand, the food cost has been jumping since the third quarter of 2021. However, with the compliments for the 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 the 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 the Reporting Period is encouraging, which gives great encouragement and confidence to the management for enlarging the network of Italian Tomato. With the addition of 6 cake shops while closing 1 café and 2 cake shops in the Reporting Period, there are 5 cafés and 29 cake shops in Hong Kong as of 31 March 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 investigate the feasibility of outsourcing partial manufacturing procedures in order for stringent cost control given that Italian Tomato still provides good quality 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's taste, Ginza Bairin therefore maintains a satisfactory result during the 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.

A resurgence of COVID-19 infections due to the emergence of the Omicron variant required a reimposition of lockdowns and social distancing measures during the Reporting Period, prolonging difficulties in the Group's operating markets. To diversify the Group's business risks and broaden its revenue streams, it has tapped into the healthcare market since 2020 and optimized its presence, with a specific focus on oral hygiene, as oral care is increasingly highly valued by consumers amid overall improving health awareness in China.

Following its acquisition of a 70% stake in Huayin (Shenzhen) Biotechnology Co., Ltd.（華胤（深圳）生物科技有限公司）("**Huayin Biotechnology**"), the Group has capitalized on its technological expertise and development, advancing its oral care product development and strategic business direction. In January 2022, Huayin Biotechnology entered into an investment cooperation agreement with two other industry leaders. A subsidiary which the Group holds 51% stake was established to deepen its engagement in the development and sale of oral care products. The Group will be able to introduce long-term business partners to provide strategic support, expertise and technology in the long run, and further enhance its competitive edge, strengthening its foothold in the healthcare market.

While Huayin Biotechnology will contribute by way of a cash contribution, another industry-leading company will contribute multi-physical activation and nano-fermentation extraction technology (the "**Technology**") used in manufacturing oral and dental anti-inflammatory products, and in repair and cleaning products for the mouth and teeth, as an in-kind contribution to that company. With anti-inflammatory, gum and tooth repair and tooth-whitening action, the Technology provides a comprehensive means of purifying oral care products such as toothpaste during the production process through strengthening electromagnetic field activity（電磁強化）. The Group's management believes the Technology will enable its products to stand out from other products in the market.

As of the end of the Reporting Period, the establishment of the Group's entire toothpaste production process – including materials procurement, packaging, processing, storage, transportation, loading and unloading – had been completed. Yet due to the impact of the pandemic, the toothpaste production schedule was delayed, with mass outsourced production commencing only in April 2022. To effectively promote the launch of the product, the Group completed building a presence on online platforms such as WeChat Mall, JD.com, Douyin and Kuaishou. With regard to advertising and promotions, the Group has formed a strategic cooperation agreement with Shanghai Li Film and Television Group Co., Ltd. for the use of film and television intellectual property, stills, posters, and promotional materials for the joint promotion of products. Meanwhile, the Group will continue with its plan to actively promote new products to boost its revenue.

The pandemic had a significant impact on the cosmetics sector in China, which did not spare the Group's freckle-removal and skin-whitening products, leading to poorer-than-expected financial performance. Taking this and the state of business operations into account, the management saw little reason for optimism about the business and disposed of its stake during the Reporting Period in order to divert more resources on oral health business.

In respect of the e-cigarette business, amid the continued tightening of regulations by the Chinese government, the Group persisted with a prudent approach during the Reporting Period, monitoring market conditions and reviewing its investments in the industry. In view of the uncertain outlook for the e-cigarette industry, the Group has redirected its efforts, reallocated and reserved resources to focus strategically on the healthcare business and grasp the enormous opportunities it offers to expand the Group's income streams.

FUTURE PROSPECTS

As 2022 progresses, the global economy is entering a marked slowdown due to new threats posed by various strains of COVID-19, coupled with rising inflation, debt, and income inequality that could jeopardize the recovery of emerging markets and developing economies. According to the International Monetary Fund (IMF), the global economic growth rate is expected to decrease from a predicted 6.1% in 2021 to 3.5% in 2022 and 2023. The global economy is also set to face more challenges in the near term.

Although the development of the food and beverage market has been complicated by the resurgence of the pandemic, its overall recovery trend remains unchanged. Following the stabilization of the fifth wave of pandemic, Hong Kong's food and beverage sector is expected to see a rebound in footfall and dine-in activity as workers began to return to the office starting in late April 2022, although a full market recovery in the coming several months remains uncertain. The Group believes that the easing in the severity of the pandemic and the gradual relaxation of social distancing measures will help local consumer sentiment to recover. The Group will therefore proactively adjust its strategies, with more launches of new promotions and offers, and collaborate with various third-party food-ordering platforms in offering online-to-offline services to drive additional local spending amid the extension of the Consumption Voucher Scheme by Hong Kong's government and boost its revenue.

Furthermore, the Group will continue to develop its membership scheme by enhancing its mobile app to provide dedicated, convenient services to its customers. At the same time, it will continue to uphold its priority of ensuring food safety and hygiene in its restaurants and cake shop businesses to retain customer confidence.

The global market for dental consumables was worth USD30.41 billion in 2021, and it is expected to expand at a rapid pace between 2021 and 2027. In view of the huge potential of the healthcare industry, particularly the oral care market, the Group is committed to seizing opportunities in this segment to strengthen its competitiveness and expand its market share. To further exploit the promising growth opportunities in China's oral care market, the Group has started to manufacture oral hygiene products with anti-inflammation properties, which repair teeth and gums, and whiten teeth. Amid the increasing awareness of oral care and a growing emphasis on environmental protection, the Group believes that this segment will become one of the key drivers of its business in the years ahead. As the Group spearheads the mass production of oral care products, it will continue to direct efforts and resources toward advertising and marketing as it aims to boost its market share and brand reputation in China.

Due to the gradual tightening of regulations related to e-cigarettes in China and proposed legislative amendments to ban e-cigarettes in Hong Kong, the Group remains cautiously optimistic about the market outlook for this segment. It will also continue to closely monitor the latest regulatory developments and adjust its business strategies in a prudent and pragmatic manner. In addition, the Group will pay close attention to the industry environment and adjust its business portfolio to continue to create long-term value for its shareholders.

FINANCIAL REVIEW

Consolidated results of operations

For the Reporting Period, the Group recorded a total revenue of approximately HK$171.9 million (2021: approximately HK$187.9 million) which were from provision of food and beverage services and others and sales of skincare products of approximately HK$170.5 million and HK$1.4 million respectively (2021: approximately HK$184.8 million and HK$3.1 million respectively), representing a decrease of approximately 7.7% and 54.2% respectively compared with the previous year mainly because of tough peers competition following the revival of the whole food and beverage industry and no revenue was recognized from Japanese curry restaurants under the trade name of Shirokuma Curry for the Reporting Period which was disposed in late September 2020.

Loss attributable to owners of the Company was approximately HK$19.8 million (2021: profit of approximately HK$2.5 million).

Gross profit

The gross profit margin from the operations of the Group was approximately 55% (2021: approximately 58%). The slight decrease in ratio was mainly attributable to the increase in costs of food ingredients.

Other income

Other income of the Group for the Reporting Period decreased by 81.9% to approximately HK$3.3 million (2021: approximately HK$18.5 million). The decrease 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 year ended 31 March 2021.

Operating 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 6.5% to approximately HK$112.3 million (2021: approximately HK$120.1 million). It was generally in line with the decrease in revenue and also resulted from exercising stringent cost control during the Reporting Period.

A breakdown of the operating expenses are set out below:

	2022	2021
	HK$'000	*HK$'000*
Amortization of other intangible assets	**753**	772
Auditor's remuneration	**651**	709
Building management fee and rates	**3,435**	3,408
Cleaning	**1,405**	1,489
Depreciation of plant and equipment – Note (a)	**3,037**	2,306
Depreciation of right-of-use assets – Note (b)	**21,140**	21,343
Directors' remuneration	**1,020**	1,020
Deposits paid for plant and equipment written-off	**–**	600
Exchange loss, net	**–**	28
Franchise and royalties	**4,550**	4,717
Insurance	**834**	749
Legal and professional fee	**2,405**	3,427
Loss on disposal and written off of plant and equipment, net	**–**	504
Marketing	**1,897**	1,554
Other staff costs – Note (c)	**49,033**	50,713
Repair and maintenance	**1,548**	1,594
Short-term lease expenses	**6,013**	8,417
Takeaway supplies	**3,027**	2,537
Utilities	**2,550**	2,203
Variable lease payment not included in the measurement of lease liabilities	**3,720**	5,437
Others	**5,321**	6,586
	112,339	120,113

Notes:

(a) The total depreciation of plant and equipment charged for the year ended 31 March 2022 was approximately HK$3,452,000 (2021: approximately HK$3,248,000), of which, approximately HK$3,037,000 (2021: approximately HK$2,306,000) and approximately HK$415,000 (2021: approximately HK$942,000) were included in operating expenses and cost of sales, respectively.

(b) The total depreciation of right-of-use assets charged for the year ended 31 March 2022 was approximately HK$22,681,000 (2021: approximately HK$22,931,000), of which, approximately HK$21,140,000 (2021: approximately HK$21,343,000) and approximately HK$1,541,000 (2021: approximately HK$1,588,000) were included in operating expenses and cost of sales, respectively.

(c) The total staff costs incurred for the year ended 31 March 2022 was approximately HK$62,899,000 (2021: approximately HK$63,777,000), of which, approximately HK$49,033,000 (2021: approximately HK$50,713,000) and approximately HK$13,866,000 (2021: approximately HK$13,064,000) were included in operating expenses and cost of sales, respectively.

Loss on disposal of subsidiaries

During the Reporting Period, as the pandemic severely impacted the cosmetic industry in the PRC, the sales of freckle-removal and skin-whitening products of the Group recorded a weaker-than-expected financial performance. In view of the uncertain prospects of the cosmetic industry, the Group decided to dispose its stake in March 2022 and devote resources into other area such as oral health business to capture opportunities in the market. As a result of the disposal, the Group recorded a loss on disposal of subsidiaries of approximately HK$1.7 million.

Impairment loss

The non-financial assets subject to the impairment assessment for the years ended 31 March 2022 and 2021 were 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 a restaurant, cafés and cake shops in Hong Kong.

During the year ended 31 March 2022, 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 the management's assessment, the corresponding recoverable amounts of certain plant and equipment, other intangible assets and right-of-use assets associated to Mark Group are higher than the carrying amounts, indicating no impairment. No further impairments are recognized to write down the carrying amounts of these items of plant and equipment, other intangible assets and right-of-use assets.

During the year ended 31 March 2021, 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 recognized to write down the carrying amounts of these items of plant and equipment, other intangible assets and right-of-use assets.

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, loans from independent third party and fund raised from rights issue to finance its operation.

As at 31 March 2022, the Group's current assets amounted to approximately HK$81.4 million (2021: approximately HK$97.2 million) of which approximately HK$61.5 million (2021: approximately HK$72.4 million) was cash and bank deposits, approximately HK$17.6 million (2021: approximately HK$19.1 million) was debtors, deposits and prepayments. The Group's current liabilities amounted to approximately HK$172.8 million (2021: approximately HK$202.4 million), including creditors and accruals in the amount of approximately HK$151.4 million (2021: approximately HK$144.6 million).

As at 31 March 2022, convertible bonds issued by the Company amounted to approximately HK$40 million (2021: approximately HK$39.8 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 which will not mature within twelve months was classified as non-current liabilities as at 31 March 2022 while approximately HK$39.8 million was classified as current liabilities as at 31 March 2021.

The current ratio and quick assets ratio of the Group as at 31 March 2022 were 0.47 and 0.46 respectively (2021: 0.48 and 0.45 respectively). As the Group incurred net liabilities as at 31 March 2022 and 31 March 2021, 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 193% (2021: 165%).

Foreign exchange

During the years ended 31 March 2022 and 31 March 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 31 March 2022 (2021: Nil).

Acquisition, disposal and significant investment held

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 34 to 35 of this results announcement, the Group did not have any specific future plans for material investments or capital assets as at 31 March 2022.

Capital commitments

As at 31 March 2022, the Group's outstanding capital commitments were approximately HK$8,505,000 (2021: approximately HK$4,616,000).

Contingent liabilities

As at 31 March 2022, the Group did not have material contingent liabilities (2021: Nil).

Employees and remuneration policies

As at 31 March 2022, the Group had 198 full-time employees in Hong Kong and the PRC (2021: 231 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 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 2022 and 31 March 2021 and as at these dates, there was no outstanding share option.

SHARE CONSOLIDATION

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 in the share capital of the Company and the authorized share capital of the Company became HK$50,000,000 divided into 625,000,000 shares of HK$0.08 each, of which 520,771,875 consolidated Shares are in issue (the "**Share Consolidation**"). For details, please refer to the announcement of the Company dated 3 December 2021 and the circular of the Company dated 21 December 2021.

ADJUSTMENTS IN RELATION TO THE CONVERTIBLE BONDS

Reference is made to the Company's announcements dated 28 June 2012, 8 July 2015, 10 July 2015, 15 August 2018 and 13 August 2021 and the circulars of the Company dated 30 July 2012 and 25 July 2015 in relation to, among other things, the issue of the convertible bonds and the extension of the maturity date of the convertible bonds. Pursuant to the terms and conditions of the convertible bonds, the conversion price of the outstanding convertible bonds has been adjusted from the initial conversion price of HK$0.07 per conversion share to HK$0.56 per conversion share as a result of the Share Consolidation. There will be 71,428,571 consolidated Shares to be issued upon the full conversion of the aggregate outstanding convertible bonds. The above adjustment to the conversion price has been reviewed by PKF Hong Kong Limited, the auditor of the Company. The adjustment took effect on 11 January 2022.

Save for the adjustments above, all other terms and conditions of the outstanding convertible bonds remain unchanged.

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 2022, approximately HK$22.0 million, HK$20.0 million, HK$2.9 million and 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 31 March 2022, approximately HK$35.6 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 2021 and 31 March 2022:

Summary of use of the Net Proceeds

	Original allocation of the Net Proceeds	Re-allocation of the unutilized amount as disclosed in the Company's announcement dated 6 November 2018	Re-allocation of the unutilized amount during the year ended 31 March 2021	Actual amount utilized up to 31 March 2021	Unutilized balance as at 31 March 2021	Re-allocation of the unutilized amount during the year ended 31 March 2022	Actual amount utilized up to 31 March 2022	Unutilized balance as at 31 March 2022
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Operation and expansion of the existing food and beverage business	29.0	–	–	(15.3)	13.7	–	(22.0)	7.0
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)	(2.9)	9.3	(3.7)	(2.9)	5.6
Investment in medical and healthcare business	–	–	14.8	(14.8)	–	3.7	(18.5)	–
	99.0	–	–	(53.0)	46.0	–	(63.4)	35.6

During the Reporting Period, the Group pursued a prudent yet efficient network expansion strategy and up to 31 March 2022, Net Proceeds amounting to approximately HK$22.0 million had been utilized for operating and expanding existing food and beverage business and the unutilized balance of approximately HK$7.0 million allocated for this purpose is expected to be fully utilized by 31 July 2023.

As at 31 March 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 31 March 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. And, 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 31 March 2022, approximately HK$18.5 million in total, which represented by HK$6.5 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 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 report, save as set out in elsewhere in this annual report, 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 15 April 2022, the Group acquired the remaining 30% of the issued shares of 華胤(深圳)生物科技有限公司 held by the non-controlling interests for a cash consideration of RMB100.

(ii) On 14 June 2022, Mr. Tang Sing Ming Sherman, as a lender, 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 Mr. Tang 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 loan from Mr. Tang interest-free, unsecured and is repayable on demand.

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% (2021: 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 54% (2021: approximately 44%) and our single largest supplier accounted for approximately 20% (2021: approximately 18%) 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 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 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 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 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	296,887,066	–	296,887,066	57.01
Ms. Huang Li *(Note 1)*	Interest of corporation controlled by Ms. Huang Li	296,887,066	–	296,887,066	57.01
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) 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 71,428,571 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 71,428,571 ordinary Shares, representing approximately 13.72% of the issued share capital of the Company as at 31 March 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 held by Mr. Tang Sing Ming Sherman.

(4) Based on 520,771,875 ordinary Shares of the Company in issue as at 31 March 2022.

Save as disclosed above, as at 31 March 2022, so far as the Directors were aware, the Directors were not aware of any person (other than the Directors whose interests are disclosed above) who had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or had any options in respect of such capital.

SHARE OPTIONS

No share option was granted during two years ended 31 March 2022 and 31 March 2021 and as at that dates, there was no outstanding share option.

COMPETING INTERESTS

As at 31 March 2022, 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 interests with the Group.

AUDIT COMMITTEE

The Company had established an Audit Committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The Audit Committee comprised three independent non-executive Directors, namely Mr. Chan Yee Ping Michael, Mr. Yang Haiyu and Mr. Zeng Shiquan. 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 2022, the Audit Committee had held four meetings and had reviewed the draft report and accounts for the year ended 31 March 2022 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 set out in the Corporate Governance Code contained in Appendix 15 of 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 2022 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 2022. 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 2022

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 "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.