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 2023

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

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 2023 (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 2023

	Notes	**2023** *HK$'000*	2022 *HK$'000*
Revenue	*2*	**162,508**	171,884
Cost of sales		**(75,531)**	(76,576)
Gross profit		**86,977**	95,308
Other income	*3*	**8,838**	3,348
Loss on disposal of subsidiaries	*4*	**–**	(1,699)
Gain on disposal of a business	*5*	**418**	–
Operating expenses		**(105,639)**	(112,339)
Operating loss		**(9,406)**	(15,382)
Finance costs	*6(a)*	**(5,519)**	(5,554)
Loss before income tax	*6*	**(14,925)**	(20,936)
Income tax credit	*7(a)*	**900**	248
Loss for the year		**(14,025)**	(20,688)
Loss for the year attributable to:–			
Owners of the Company		**(12,391)**	(19,810)
Non-controlling interests		**(1,634)**	(878)
		(14,025)	(20,688)
Loss per share (HK cents)	*8*		
– Basic		**(2.38)**	(3.80)
– Diluted		**(2.38)**	(3.80)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	2023 HK$'000	2022 HK$'000
Loss for the year	**(14,025)**	(20,688)
Other comprehensive income/(loss):–		
Item that may be subsequently reclassified to profit or loss:–		
Exchange gain/(loss) arising from translation of financial statements of foreign operations	**1,313**	(831)
Release of exchange reserve upon disposal of subsidiaries	**–**	19
Other comprehensive income/(loss) for the year, net of tax	**1,313**	(812)
Total comprehensive loss for the year	**(12,712)**	(21,500)
Total comprehensive loss for the year attributable to:–		
Owners of the Company	**(10,451)**	(20,613)
Non-controlling interests	**(2,261)**	(887)
	(12,712)	(21,500)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	**2023** **HK$'000**	2022 HK$'000
NON-CURRENT ASSETS			
Plant and equipment		**3,114**	5,759
Goodwill		**–**	–
Other intangible assets		**5,907**	6,614
Right-of-use assets	*9*	**14,224**	21,281
Deferred tax assets		**381**	–
		23,626	33,654
CURRENT ASSETS			
Inventories		**369**	2,152
Debtors, deposits and prepayments	*10*	**17,354**	17,582
Income tax recoverable		**–**	200
Time deposits	*11*	**–**	10,000
Cash and cash equivalents	*11*	**31,390**	51,474
		49,113	81,408
DEDUCT:–			
CURRENT LIABILITIES			
Creditors and accruals	*12*	**129,321**	151,411
Contract liabilities		**1,154**	1,005
Lease liabilities	*13*	**13,988**	20,337
		144,463	172,753
NET CURRENT LIABILITIES		**(95,350)**	(91,345)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	**2023** **HK$'000**	2022 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**(71,724)**	(57,691)
NON-CURRENT LIABILITIES			
Creditors and accruals	*12*	**125**	257
Lease liabilities	*13*	**6,939**	8,002
Deferred tax liabilities		**–**	505
Convertible bonds		**40,000**	40,000
		47,064	48,764
NET LIABILITIES		**(118,788)**	(106,455)
REPRESENTING:–			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		**41,662**	41,662
Reserves		**(158,440)**	(146,863)
		(116,778)	(105,201)
NON-CONTROLLING INTERESTS		**(2,010)**	(1,254)
TOTAL EQUITY		**(118,788)**	(106,455)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Attributable to owners of the Company									
	Share capital *HK$'000*	Accumulated losses *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000*	Exchange reserve *HK$'000*	Convertible bonds equity reserve *HK$'000*	Other reserve *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1.4.2021	41,662	(390,475)	258,889	3,801	128	1,390	17	(84,588)	–	(84,588)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	(802)	(802)
Disposal of subsidiaries – *Note 4*	–	–	–	–	–	–	–	–	435	435
Total comprehensive loss										
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 and 1.4.2022	41,662	(410,285)	258,889	3,801	(675)	1,390	17	(105,201)	(1,254)	(106,455)
Acquisition of additional equity interest in a subsidiary – *Note*	–	(1,126)	–	–	–	–	–	(1,126)	1,126	–
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	379	379
Total comprehensive loss										
Loss for the year	–	(12,391)	–	–	–	–	–	(12,391)	(1,634)	(14,025)
Other comprehensive income:–										
Exchange gain arising from translation of financial statements of foreign operations	–	–	–	–	1,940	–	–	1,940	(627)	1,313
Total comprehensive loss for the year	–	(12,391)	–	–	1,940	–	–	(10,451)	(2,261)	(12,712)
At 31.3.2023	41,662	(423,802)	258,889	3,801	1,265	1,390	17	(116,778)	(2,010)	(118,788)

Note: On 15 April 2022, the Group acquired the remaining approximate 30% of the issued share capital of 華胤（深圳）生物科技有限公司 held by a non-controlling shareholder for a cash consideration of RMB100 (equivalent to approximately HK$114). Immediately prior to the purchase, the negative carrying amount of the approximate 30% non-controlling interests in 華胤（深圳）生物科技有限公司 was HK$1,126,000.

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 are principally engaged in the provision of food and beverage services. The ultimate controlling party of the Group as at 31 March 2023 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 GEM Listing Rules.

(b) Initial application of HKFRSs

In the current year, the Group initially applied the following amendments to HKFRSs:–

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs 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.

(c) HKFRSs in issue but not yet effective

The following new and amendments to HKFRSs in issue at 31 March 2023 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 2022:–

Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
HKFRS 17	Insurance Contracts[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
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 2023, the Group had net current liabilities and net liabilities of HK$95,350,000 and HK$118,788,000 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 2023, Mr. Tang Sing Ming Sherman ("**Mr. Tang**"), 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 principal and interest of approximately HK$98,453,000 as at 14 June 2023 was extended (the "**Extension**") from 22 June 2023 to 22 June 2024 (the "**Extended Loan**"). The Extended Loan bears the same term after the Extension. The rest of the loan from Mr. Tang is unsecured, interest-free and repayable on demand.

After taking into consideration of the above factors and funds expected to be generated internally based on the Directors' estimation on 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 healthcare products, net of discounts and value-added tax, during the year. An analysis of the revenue recorded for the year is set out below:–

	2023	2022
	HK$'000	*HK$'000*
Revenue from customers and recognized at a point in time		
– Provision of food and beverage services and others	**162,318**	170,460
– Sales of healthcare products	**190**	1,424
	162,508	171,884

3. OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Government grants – *Note 3(a)*	**6,053**	1,100
Interest income – *Note 3(b)*	**578**	148
Service fee income	**1,475**	1,674
Gain on disposal of plant and equipment	**–**	143
Exchange gain, net	**56**	16
Waiver of interest expenses on other loans – *Note 3(c)*	**375**	–
Miscellaneous items	**301**	267
	8,838	3,348

Notes:–

(a) For the year ended 31 March 2023, 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.

For the year ended 31 March 2022, it represented the subsidies received from Anti-epidemic Fund of the government of the HKSAR.

(b) Amount included imputed interest income on rental deposits of HK$223,000 (2021: HK$Nil).

(c) During the year ended 31 March 2023, the Group repaid certain other loans earlier than the original maturities, pursuant to which the lender agreed to waive the relevant interest payable in full.

4. LOSS ON DISPOSAL OF SUBSIDIARIES

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. GAIN ON DISPOSAL OF A BUSINESS

During the year ended 31 March 2023, the Group disposed the business of cake manufacturing to Century Limited, which is an independent third party, at an aggregate cash consideration of HK$2,159,000.

The net assets of the business of cake manufacturing being disposed of were as follows:

	HK$'000
Plant and equipment	**728**
Inventories	**2,464**
Accruals and provisions	**(1,451)**
Net assets disposed of	**1,741**
Gain on disposal of a business	**418**
	2,159
Cash consideration arising from disposal of the business of cake manufacturing	**2,159**
Net cash flow arising from disposal of the business of cake manufacturing *(Note)*	**–**

Note: The consideration receivable was settled by offsetting trade payable with Century Limited.

6. LOSS BEFORE INCOME TAX

	2023 ***HK$'000***	2022 *HK$'000*
Loss before income tax is arrived at after charging/(crediting):–		
(a) Finance costs:–		
Interest expenses on other loans	**1,657**	1,359
Interest expense on convertible bonds	**800**	800
Imputed interest expense on convertible bonds	**–**	229
Imputed interest expense on reinstatement provision	**6**	–
Interest expenses on lease liabilities	**963**	1,043
Other bank charges	**2,093**	2,123
	5,519	5,554

	2023	2022
	HK$'000	*HK$'000*

(b) Other items:–

	2023 HK$'000	2022 HK$'000
Amortization of other intangible assets	**764**	753
Depreciation of plant and equipment	**3,406**	3,452
Depreciation of right-of-use assets	**21,976**	22,681
Auditor's remuneration for audit services	**679**	651
Auditor's remuneration for non-audit services	**–**	8
Exchange gain, net	**(56)**	(16)
Variable lease payment not included in the measurement of lease liabilities	**2,726**	3,720
COVID-19 related rent concessions from lessors	**(115)**	(460)
Short-term lease expenses	**5,505**	6,013
Loss on leases modification	**217**	–
Directors' remuneration	**1,020**	1,020
Other staff salaries and benefits	**54,866**	60,208
Retirement scheme contributions	**2,404**	2,691
Other staff costs	**57,270**	62,899
Cost of sales (including other direct expenses and overhead cost of HK$16,884,000 (2022: HK$21,763,000))	**75,191**	76,576
Impairment provision on inventories	**340**	–
Impairment provision on trade debtors	**205**	–
Loss/(gain) on disposal and written off of plant and equipment, net	**45**	(143)

7. INCOME TAX

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

	2023	2022
	HK$'000	*HK$'000*
Current tax: –		
– Over-provision in prior year	**(14)**	–
Deferred tax credit	**(886)**	(248)
Income tax credit	**(900)**	(248)

(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 (2022: Hong Kong – 16.5% and PRC – 25% respectively).

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

	2023	2022
	HK$'000	*HK$'000*
Loss before income tax	**(14,925)**	(20,936)
Tax effect at the Hong Kong profits tax rate of 16.5% (2022: 16.5%)	**(2,463)**	(3,454)
Tax rates differential	**549**	616
Tax effect of income that are not taxable	**(1,191)**	(1,060)
Tax effect of expenses that are not deductible	**1,823**	614
Tax effect of unused tax losses not recognized	**1,576**	3,088
Tax effect of deductible temporary differences not recognized	**(137)**	–
Tax effect of utilization of tax losses not recognized	**(1,043)**	(52)
Over-provision in prior year	**(14)**	–
Income tax credit	**(900)**	(248)

(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$64,435,000 (2022: HK$58,892,000) and RMB37,584,000 (2022: RMB41,043,000), respectively. The unrecognized tax losses accumulated in the Hong Kong subsidiaries of the Company amounted to approximately HK$57,775,000 (2022: approximately HK$57,174,000) can be carried forward indefinitely. The unrecognized tax losses accumulated in PRC subsidiaries amounted to approximately RMB37,584,000 (2022: approximately RMB41,043,000) can be carried forward for a maximum of five years. The unrecognized tax losses accumulated in PRC subsidiaries amounted to approximately RMB4,978,000 (2022: RMB9,879,000) were lapsed during the year. 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 2023 and 2022.

(iii) As at 31 March 2023, the Group's unrecognized deductible temporary differences associated with inventories provision and trade debtors loss allowance are HK$341,000 (2022: HK$Nil) and HK$205,000 (2022: HK$Nil), respectively. No deferred tax assets have 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 these deductible temporary differences.

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$12,391,000 (2022: HK$19,810,000) and the weighted average number of ordinary shares of 520,771,875 (2022: ordinary shares of 520,771,875) in issue during the years ended 31 March 2023 and 2022.

On 11 January 2022, every eight (8) issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company were consolidated into one (1) ordinary share of HK$0.08 each (each a "**Consolidated Share**") in the share capital of the Company (the "**Share Consolidation**") and resulted in the weighted average number of Consolidated Shares of 520,771,875 in issue during all periods presented. Comparative figures of the weighted average number of ordinary shares for calculating basic loss per share have been adjusted on the assumption that the Share Consolidation has been effective since 1 April 2020.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since the exercise price of those convertible bonds was higher than the average market price for both 2023 and 2022.

9. RIGHT-OF-USE ASSETS

	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

	Leasehold properties *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost:–			
At 1.4.2022	55,909	982	56,891
Exchange adjustment	(313)	–	(313)
Additions	7,279	–	7,279
Expiry of leases arrangements	(14,863)	–	(14,863)
Leases modification	4,640	–	4,640
Transfer from/(to) plant and equipment	146	(982)	(836)
At 31.3.2023	**52,798**	**–**	**52,798**
Accumulated depreciation:–			
At 1.4.2022	28,435	634	29,069
Exchange adjustment	(118)	–	(118)
Charge for the year	21,771	205	21,976
Expiry of leases arrangements	(14,863)	–	(14,863)
Leases modification	(3,192)	–	(3,192)
Transfer to plant and equipment	–	(839)	(839)
At 31.3.2023	**32,033**	**–**	**32,033**
Accumulated impairment:–			
At 1.4.2022 and 31.3.2023	**6,541**	**–**	**6,541**
Net book value:–			
At 31.3.2023	**14,224**	**–**	**14,224**

Right-of-use assets with net carrying amount of HK$146,000 transferred from plant and equipment represents estimated cost of dismantlement and site restoration of leased properties which were previously included under plant and equipment.

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 recognized corresponding lease liabilities (Note 13). The leases (other than short-term leases) typically run for an initial period of 1 to 6 years. In determining the lease term, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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% (2022: 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 and net of COVID-19 related rent concessions) for the years ended 31 March 2023 and 2022 include:

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	22,578	3,260	25,838
Total	45	30,111	3,260	33,371

2023

	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	**9**	**4,547**	**–**	**4,547**
Restaurants, cafés and cake shops without variable lease payments	**1**	**684**	**–**	**684**
Restaurants, cafés and cake shops with variable lease payments	**35**	**23,011**	**2,611**	**25,622**
Total	**45**	**28,242**	**2,611**	**30,853**

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.

Short-term lease expenses

Information regarding short-term lease expenses are disclosed in Note 6(b). The Group regularly enters into short-term leases for its cake shops.

Restrictions or covenants on leases

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used by the Group as security for borrowing purposes.

Rent concessions

During the year ended 31 March 2023, lessors of certain of restaurants, cafés and cake shops provided rent concessions that occurred as a direct consequence of Covid-19 pandemic to the Group.

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met all of the conditions in HKFRS 16.46B. The Group applied the practical expedient not to assess whether the changes constitute leases modification. The effects of changes in lease payments due to forgiveness or waiver by the lessors for the relevant lease of HK$115,000 (2022: HK$460,000) were recognized as negative variable lease payments.

Extension option

The Group has extension option in a lease for 1 cake shop (2022: 1 cake shop). This is used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The extension option held is exercisable only by the Group.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension option. The potential exposures to these future lease payments for extension option in which the Group is not reasonably certain to exercise is summarized below:

	Lease liabilities recognized as at 31 March 2023	Potential future lease payments not included in lease liabilities (undiscounted) 31 March 2023	Lease liabilities recognized as at 31 March 2022	Potential future lease payments not included in lease liabilities (undiscounted) 31 March 2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cake shop – Hong Kong	244	1,620	726	1,620

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee. During the year ended 31 March 2023, there is no such triggering event (2022: Nil).

10. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments comprise:–

	2023	2022
	HK$'000	*HK$'000*
Trade debtors	**1,937**	2,642
Less: loss allowance	**(205)**	(478)
	1,732	2,164
Rental and utility deposits	**12,647**	13,477
Prepayments	**829**	833
Other debtors	**2,146**	1,108
	17,354	17,582

(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:–

	2023	2022
	HK$'000	*HK$'000*
At beginning of the year	**478**	478
Provision for the year	**205**	–
Written off of uncollectible debts	**(478)**	–
At end of the year	**205**	478

(b) Aging analysis

The Group normally allows credit term of 180 days to its customers for trading of healthcare products. The trading terms with the Group's customers for provision of food and beverage services are mainly on cash and non-cash basis settlements, except for well established corporate customers who are granted credit term of 30-60 days. For non-cash basis settlements, the counterparties normally settle the balances within 2-60 days. The following was an aging analysis of trade debtors (net of loss allowance), which included outstanding balances for non-cash basis settlements, based on the invoice date, at the end of the reporting period:–

	2023	2022
	HK$'000	*HK$'000*
0-30 days	**1,669**	1,884
31-60 days	**16**	23
61-90 days	**20**	10
91-180 days	**27**	247
	1,732	2,164

(c) Trade debtors that are not impaired

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

	2023	2022
	HK$'000	*HK$'000*
Neither past due nor impaired	**1,669**	1,884
Past due but not impaired:–		
1-30 days	**16**	23
31-60 days	**20**	10
61-90 days	**27**	247
	63	280
	1,732	2,164

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 ("**ECL**") prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade debtors. To measure the ECL, these debtors have been grouped based on shared credit risk characteristics and the aging from billing.

11. CASH AND CASH EQUIVALENTS/TIME DEPOSITS

	2023	2022
	HK$'000	*HK$'000*
Cash and bank balances, including time deposits of HK$Nil (2022: HK$15,000,000) with original maturity of less than 3 months	**31,390**	51,474
Time deposit with original maturity of more than 3 months	**–**	10,000
	31,390	61,474

As at 31 March 2022, time deposits of HK$25,000,000 carried fixed interest rate of 1.02% to 1.18% per annum. As at 31 March 2023, the Group does not have any time deposit.

As at 31 March 2023, cash and cash equivalents of the Group which is denominated in RMB amounted to approximately HK$1,232,000 (2022: approximately HK$18,206,000). 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.

12. CREDITORS AND ACCRUALS

Creditors and accruals comprise:–

	2023	2022
	HK$'000	*HK$'000*
Trade creditors	**6,379**	6,700
Accruals and provisions	**10,150**	13,688
Other creditors and payables	**7,661**	9,209
Other loans – *Note*	**105,256**	122,071
	129,446	151,668
Less: amounts classified in non-current liabilities	**(125)**	(257)
Amounts classified in current liabilities	**129,321**	151,411

Note: Other loan of a lender of approximately HK$97,864,000 (2022: approximately HK$102,991,000) as at 31 March 2023 is unsecured, carries interest rate at 0.1% per month and repayable on 22 June 2023. Remaining loans of HK$2,674,000 (2022: HK$2,890,000) are interest-free, unsecured and repayable on demand. On 14 June 2023, 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 principal and interest of approximately HK$98,453,000 as at 14 June 2023 was extended from 22 June 2023 to 22 June 2024. 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$393,000 (2022: approximately HK$1,723,000) is included in other creditors and payables.

Other loan of approximately HK$4,718,000 (2022: HK$16,190,000) as at 31 March 2023 is unsecured and carries interest rate at 4.35% (2022: 4.35%) per annum. Amounts of approximately HK$3,575,000 and HK$1,143,000 are repayable on 23 March 2024 and 13 April 2023, respectively.

Interest payable to this lender of approximately HK$159,000 (2022: HK$91,000) is included in other creditors and payables.

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

	2023	2022
	HK$'000	*HK$'000*
0-30 days	**4,185**	6,026
31-60 days	**1,385**	–
61-90 days	**160**	19
91-180 days	**348**	231
Over 180 days	**301**	424
	6,379	6,700

13. 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**	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:–				
Within one year	**13,988**	20,337	**14,639**	20,699
In the second to fifth year	**6,939**	8,002	**7,175**	8,312
	20,927	28,339	**21,814**	29,011
Less: Future finance charges			**(887)**	(672)
Present value of lease obligation			**20,927**	28,339

14. RELATED PARTY AND CONNECTED TRANSACTIONS

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

The remunerations of Directors and other members of key management personnel during the year ended 31 March 2023 and 2022 were as follows:

Directors and key management personnel remunerations	**2023**	2022
	HK$'000	*HK$'000*
Fees	**1,020**	1,020
Salaries, allowances and other benefits in kind	**3,476**	3,309
Performance related bonuses	**193**	153
Retirement scheme contributions	**54**	54
	4,743	4,536

15. SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Directors, being the chief operating decision maker ("**CODM**") in order to allocate resources to the segment and to assess its performance.

During the year ended 31 March 2022, the Group principally operated in one business unit, and had one reportable and operating segment: food and beverage. Accordingly, the Group did not have any identifiable segment or any discrete information for segment reporting purpose.

During the year 3ended 31 March 2023, the Group's resources allocation to healthcare business unit increases according to the long-term development plan of this business unit. Accordingly, the CODM reviews and regards that the Group's reportable operating segment comprise (i) food and beverage and (ii) healthcare.

Prior year's segment disclosures have been restated to conform with the current year's presentation.

(a) **Segment revenue and results**

For the year ended 31 March 2023

The following is an analysis of the Group's revenue and results by reportable segments.

	Food and beverage		**Healthcare**		**Total**	
	2023	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue (external)	**162,318**	170,460	**190**	1,424	**162,508**	171,884
Segment (loss)/profit	**(3,513)**	1,500	**(6,090)**	(4,994)	**(9,603)**	(3,494)
Interest income					**578**	148
Exchange gain, net					**56**	16
Finance costs					**(5,519)**	(5,554)
Government grants					**6,053**	1,100
Depreciation of plant and equipment					**(1)**	(14)
Depreciation of right-of-use assets					**(1,854)**	(1,781)
Unallocated operating expenses					**(4,635)**	(11,357)
Loss before income tax					**(14,925)**	(20,936)

Segment profit/(loss) represents the profit earned/loss incurred from each segment without the allocation of bank interest income, exchange gain, net, certain finance costs and central operating expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

(b) **Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by reportable segments:

As at 31 March 2023

Segment assets

	Food and beverage		**Healthcare**		**Total**	
	2023	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**37,136**	53,651	**5,168**	24,968	**42,304**	78,619
Unallocated assets					**30,435**	36,443
Consolidated total assets					**72,739**	115,062

Segment liabilities

	Food and beverage		Healthcare		Total	
	2023	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment liabilities	**134,946**	152,255	**8,984**	22,482	**143,930**	174,737
Unallocated liabilities					**47,597**	46,780
Consolidated total liabilities					**191,527**	221,517

For the purpose of monitoring segment performance and allocating resources between segments:

All assets are allocated between operating segments other than certain plant and equipment, certain right-of-use assets, certain deposits and prepayments, certain cash and cash equivalents and unallocated corporate assets of headquarter.

All liabilities are allocated between operating segments other than certain creditors and accruals, certain lease liabilities, convertible bonds and unallocated corporate liabilities of headquarter.

(c) Segment information

For the year ended 31 March 2023

	Food and beverage		Healthcare		Total	
	2023	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Depreciation of plant and equipment	**3,274**	3,212	**131**	226	**3,405**	3,438
Depreciation of right-of-use assets	**19,426**	19,278	**696**	1,622	**20,122**	20,900
Amortization of other intangible assets	**764**	753	**–**	–	**764**	753
Additions to non-current assets	**6,042**	23,473	**32**	4,152	**6,074**	26,625

(d) Geographical information

	PRC		Hong Kong		Total	
	2023	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**190**	1,424	**162,318**	170,460	**162,508**	171,884
Service fee income from contract with customers	**–**	–	**1,475**	1,674	**1,475**	1,674
Total revenue and other income from contracts with customers	**190**	1,424	**163,793**	172,134	**163,983**	173,558
Non-current assets	**853**	3,009	**22,773**	30,645	**23,626**	33,654

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.

(e) Major customers

The Group's customer base is diversified and no revenue from transactions with a single external customer amount to 10% or more of the Group's revenue for the years ended 31 March 2023 and 2022.

16. MATERIAL UNCERTAINTIES 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 Uncertainties 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 2023.

Attention to Note 1(d) above has been drawn by the Company's external auditor which indicates that as at 31 March 2023, the Group had net current liabilities and net liabilities of HK$95,350,000 and HK$118,788,000 respectively. These conditions, along with other matters as set forth in Note 1(d) above, indicate the existence of material uncertainties 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 2023 and 2022 nor up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's audited revenue for the Reporting Period amounted to approximately HK$162.5 million (2022: approximately HK$171.9 million), representing a decrease of approximately 5.5% compared with the last financial year. Loss attributable to owners of the Company was approximately HK$12.4 million (2022: approximately HK$19.8 million) for the Reporting Period. Such decrease was primarily attributable to the increase in other income as a sum of approximately HK$5.6 million wage subsidies under the Employment Support Scheme launched by the Government of the Hong Kong Special Administrative Region (the "**HKSAR Government**") were received for the Group's business activities carried out in Hong Kong during the Reporting Period. In addition, as the HKSAR Government launched a food licence holders subsidy scheme under the Anti-Epidemic Fund to provide financial relief to the food business sector which was directly affected by the social distancing measures, a total one-off subsidy of HK$400,000 was provided to the Group and recorded as other income for being an eligible licence holder of general restaurants in operation. No such subsidies were recorded for the corresponding period last year.

INDUSTRY OVERVIEW

During the Reporting Period, a series of mutually reinforcing shocks, including persistent inflation, continuing interest rate increases, tightening debt, and Russia's ongoing war against Ukraine – alongside the lingering effects of the pandemic – continued to weigh on the world economy. Data released by the International Monetary Fund (IMF) shows that global economic growth slipped to 3.4% in 2022.

China – amid the impacts of widespread pandemic lockdowns and a historic downturn in its property market – recorded one of its worst economic performances in nearly half a century in 2022, with only 3.0% year-on-year growth, far below its target of 5.5%. The country's dogged pursuit of its strict anti-pandemic strategy gave rise to serious disruption to the domestic logistics sector, and as a result the revenue of the food and beverage industry dropped 6.3% compared to the previous year. Nevertheless, thanks to the government's gradual lifting of pandemic control measures, the Consumer Price Index (CPI) showed signs of recovery, rising 2.0% year on year over the course of 2022, and 5.8% year on year during the first quarter of 2023. The food and beverage industry also achieved promising growth in the first quarter of 2023, with a 13.9% revenue increase.

Amid the ongoing effects of the pandemic, Hong Kong's economy witnessed a sharp deterioration in 2022, with gross domestic product (GDP) shrinking 3.5%. Nonetheless, the relaxation of social distancing measures and the reopening of borders have led to an improvement in consumer sentiment and a return of inbound travel. According to the city's Census and Statistics Department, Hong Kong recorded a slight decline of 0.9% in total retail sales for full-year 2022, but saw a 1.1% year-on-year increase in the final month of the year, followed by a surge of 17.3% during the first two months in 2023 compared with the same period last year.

Hong Kong's food and beverage industry also experienced a wave of opportunities for revival, registering revenue growth of approximately 20.0% in January 2023 compared to the same month in the previous year. The sector's recovery boosted market confidence, with a survey conducted by Deliveroo in January showing that 23.0% of restaurateurs interviewed had plans to expand their businesses, and one-fifth had increased employee pay in the fourth quarter of 2022. The trend was also evident among food delivery services, with growth in the segment bolstered by surging demand for corporate catering as businesses resumed holding festive celebrations.

After the lengthy and difficult experience of the pandemic, healthcare has become a primary public concern. According to a survey by management consulting firm Oliver Wyman, shopping priorities among mainland Chinese consumers aged in their late 20s are health, sports and wellness, and health concerns were expressed particularly as acute during the height of the pandemic. In particular, the global oral care market was worth US$33.7 billion in 2022, according to a data published by Vantage Market Research. In China, the country's ageing population and technology advances propelled the growth of oral care market to US$2.8 billion in 2022.

Despite China's growing market for oral care, fierce competition and unprecedented challenges posed by large market players remain key obstacles faced by new entrants. A study carried out by analytics and financial advisory services firm AskCi Consulting indicated that China's oral care industry market was relatively concentrated in 2022, with the industry's five largest companies accounting for a combined market share of 40% by retail sales, constituting a formidable barrier to entry.

In China's e-cigarette market, increasingly stringent regulations have complicated the industry's prospects. During the Reporting Period, both the mainland Chinese and Hong Kong governments continued to impose new regulations on the importation, sale and manufacturing of e-cigarettes, including measures to ban flavored e-cigarettes, impose an ad valorem tax on e-cigarettes, ban the importation and sale of alternative smoking products, and require domestic e-cigarette manufacturers and traders to obtain operating licenses. Given the stringent official supervision that the e-cigarette industry faces, many uncertainties and risks appear to pose challenges to its development.

BUSINESS REVIEW

The food and beverage business of the Group has been facing the deep impacts brought by the social distance and quarantine measures caused by the fifth wave of COVID-19. For the Reporting Period, the revenue of the food and beverage business of the Group on one hand became struggling even all dine-in control, pandemic prevention measures, border closures, lockdowns and isolation orders have been released in March 2023. On the other hand, the cost of food ingredients has been jumping since the third quarter of 2021.

After the tenancy of our only Ginza Bairin restaurant expired, the Group's food and beverage businesses are left with only one Japanese related concept in Hong Kong, which is Italian Tomato.

Italian Tomato is the Group's promising brand of restaurants, café and cake shops. Italian Tomato is undoubtedly one of the well-recognized cake shops in Hong Kong, with both traditional and seasonal products welcomed in the market. However, the result of this Reporting Period fell slightly behind expectations. With the closing of 1 café and opening of 1 cake shop during the Reporting Period, as at 31 March 2023, there are 4 cafés and 30 cake shops in Hong Kong. During the Reporting Period, a series of cost control actions have been taken to mitigate the loss of sales, especially in the fourth quarter of the Reporting Period. The management noted that the benefit from the resources deployed in shop operation is more worthwhile than that in factory operations, therefore the Group has started to outsource manufacturing procedures since the fourth quarter of the Reporting Period in order to achieve stringent cost control while still providing good quality cakes to customers through Italian Tomato.

The pandemic has prompted consumers to accord greater importance to healthcare products and services, and the Group has seized related market opportunities by tapping into the healthcare market since 2020, with a particular focus on the sale and production of oral care products, notably anti-inflammatory toothpaste.

The Group commenced mass production of its anti-inflammatory toothpaste and initiated online and offline promotional plans during the Reporting Period. The Group further deepened its collaborations with prominent e-commerce platforms such as WeChat mini programs, JD.com, Douyin and Kuaishou, and established social media sales channels. By proactively participating in marketing campaigns on these platforms, such as those related to the "**Double 11**", "**Double 12**" and "**3.8 Women's Day**" shopping festivals, the Group achieved increased market exposure. The Group regularly reviewed the effectiveness of its marketing campaigns and continued to promote brand awareness through livestreaming, short videos and advertisements on various platforms, enhancing customers' understanding of its products and their features, with the aim of driving sales and repurchase rates.

In addition to assiduously promoting its oral care products via online sales platforms, the Group expedited the development of online-to-offline sales channels by expanding its network of distribution outlets and establishing new platforms such as Eternal Asia and Miyuan to explore opportunities for collaboration with new product manufacturers. To boost sales volumes, the Group also collaborated with offline sales channels including Pikaso, Mini Fit, Nuspower, Freshippo and VC Sports. Despite concerted efforts to drive the development of its oral care business during the Reporting Period, the segment's sales contribution fell short of expectations due to fierce market competition and high industry participation thresholds that represented significant barriers to entry.

After thorough and careful consideration, given that the Group's investment in oral care products was still in its early stages, and that its contribution to revenue was relatively small, the Group will continue to explore new business opportunities to fuel its future growth.

With respect to the e-cigarette business, the Group maintained a cautious approach due to the strict regulations imposed by the mainland Chinese and Hong Kong governments during the Reporting Period. More countries around the world have formulated similar policies to regulate the vaping industry, with some having included e-cigarettes in the scope of bans, pushing e-cigarettes to the cusp of commercial viability. The Group will therefore continue to pursue a "**wait and see**" approach, tapping into the market where possible and seeking potential business opportunities as they arise.

FUTURE PROSPECTS

The major factors that affected the world economy last year are likely to continue to do so in 2023. Growing geopolitical tensions related to issues such as the war in Ukraine and stubbornly high inflation are particularly likely to weigh on the outlook. The IMF has predicted that global economic growth will slow from 3.4% last year to 2.8% in 2023. On a positive note, a recent decline in energy prices and the earlier-than-expected reopening of China will contribute to a moderate recovery in the world economy.

Following China's swift reopening in late 2022 subsequent to the height of the COVID-19 crisis, the country's economy is expected to grow more rapidly. According to China's National Bureau of Statistics, national GDP grew 4.5% in the first quarter of 2023, the highest rate of growth since the first quarter of 2022. Economists from Barclays and T. Rowe Price have pointed out that a stronger rebound in retail sales and a smaller contraction in property investment and home sales have led to an improvement in economic activity, boosting the country's economic recovery.

In Hong Kong, economic growth began to return in the first quarter of 2023, mainly due to the recovery in inbound tourism and domestic demand. Alongside the city's normalized COVID-19 situation, it is believed that tourist arrivals and domestic demand will remain the major drivers of growth in 2023. Hong Kong's government is expecting growth in 2023 to be near the higher end of its forecast range of 3.5% to 5.5%. Amid the gradual recovery of Hong Kong's economy, the food and beverage industry will embrace a wave of expanding opportunities, supported by the reopening of the city's border with mainland China, the relaxation of COVID-19 restrictions, as well as the expansion of residential communities and emerging commercial projects.

To further tap into the growing market potential ushered in by Hong Kong's economic recovery, the Group will keep emphasis on its principal food and beverage business in the new financial year and will also make every effort to optimize its business strategies to take advantage of new market trends. It will also improve its in-store operational efficiency and effectiveness and provide more training to staff to enhance the overall dining experience in its outlets.

Given that Japanese produce and products are well-received by Hong Kong diners, the Group will launch more Japanese seasonal specialties by arranging crossovers and collaborations with Japanese enterprises and prefectural authorities, further enhancing its product diversification and customer base. It will also launch more special offers and marketing promotions to drive additional local spending amid the introduction of the government's new round of the Consumption Voucher Scheme.

To capture business opportunities in the takeaway and food delivery platform segments, the Group will continue to strengthen its partnerships with popular local online food delivery platforms, launching exclusive special offers to cater to rising demand for cake delivery and providing the most satisfying experiences for its customers. To accelerate digitalization, the Group will better engage and interact with its customers by upgrading its membership program, providing a more user-friendly platform with exclusive members' delights to bolster its relationship with existing customers. Over the longer term, this will help the Group to better utilize big data analysis and better understand customers' changing dining preferences and behaviors, enhancing customer satisfaction and loyalty, and driving the Group's income and profitability.

The intense competition in the oral care market, coupled with mounting challenges faced by new entrants, have hindered the development of the Group's new oral care products. Given that their contribution to the Group's overall income is relatively small and that the prospects for the segment are uncertain, the Group's management plans to adopt a prudent approach in developing this business segment. However, the Group will continue to seek fresh commercial opportunities to further drive its business growth.

The outlook for the e-cigarette industry appears uncertain due to the continuous tightening of regulations by governments around the world. The Group will monitor all forthcoming industry developments and evaluate its business strategies cautiously. StarGlory is fully aware of the potential challenges lying ahead. It will continue to navigate with utmost pragmatism, prudence and professionalism, striving to enhance its competence and creating 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$162.5 million (2022: approximately HK$171.9 million) which were from provision of food and beverage services and sales of healthcare products of approximately HK$162.3 million and HK$0.2 million respectively (2022: approximately HK$170.5 million and HK$1.4 million respectively), representing a decrease of approximately 4.8% and 86.7% respectively compared to the previous year mainly due to the revival of the fifth wave of pandemic, which led to government's implementation of tightening social distancing measures and evening dine-in ban for almost a month during the period from 1 April 2022 to 20 April 2022. Following the relaxation of social distancing measures towards the second half of the financial year, leading cake and bakery brands in the industry began to expand their businesses and introduce more personalized and unique products along with various promotions to attract more customers. This, coupled with more new entrants to the market, brought unprecedented challenges to the Group. On the other hand, the outflow of consumption resulted from the resumption of outbound travel also prompted challenges to local caters, which inevitably affected the Group's performance. And, due to fierce market competition, revenue contributed from sales of healthcare products which mainly represented by oral care products fell short of expectations during the Reporting Period.

Loss attributable to owners of the Company was approximately HK$12.4 million (2022: approximately HK$19.8 million).

Gross profit

The gross profit margin from the operations of the Group was approximately 54% (2022: approximately 55%). Although competition in the food and beverage industry remained fierce, the Group successfully maintained a relatively stable gross profit margin during the Reporting Period through adjusting cake prices and exercising good cost control.

Other income

Other income of the Group for the Reporting Period increased by 164.0% to approximately HK$8.8 million (2022: approximately HK$3.3 million). The increase was mainly due to the receipt of wages subsidies under the Employment Support Scheme launched by the Government of the Hong Kong Special Administrative Region recorded as other income in the sum of approximately HK$5.6 million for the Group's business activities carried in Hong Kong during the Reporting Period. In addition, a total one-off subsidy of HK$400,000 was provided to the Group and recorded as other income for being an eligible licence holder of general restaurants in operation. No such subsidies were recorded for the corresponding period last year.

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 6.0% to approximately HK$105.6 million (2022: approximately HK$112.3 million). The decrease in operating expenses as compared to last year was in line with the decrease in revenue and partially offset with the increase in the operating expenses incurred by the Group in developing its healthcare business for the Reporting Period.

A breakdown of the operating expenses are set out below:

	2023	2022
	HK$'000	*HK$'000*
Amortization of other intangible assets	**764**	753
Auditor's remuneration	**679**	651
Building management fee and rates	**3,118**	3,435
Cleaning	**1,377**	1,405
Depreciation of plant and equipment – *Note (a)*	**3,190**	3,037
Depreciation of right-of-use assets – *Note (b)*	**21,772**	21,140
Directors' remuneration	**1,020**	1,020
Franchise and royalties	**4,283**	4,550
Impairment provision on trade debtors	**205**	–
Insurance	**787**	834
Legal and professional fee	**1,836**	2,405
Loss on disposal and written off of plant and equipment	**45**	–
Marketing	**1,934**	1,897
Other staff costs – *Note (c)*	**46,456**	49,033
Repair and maintenance	**1,079**	1,548
Short-term lease expenses	**5,505**	6,013
Loss on leases modification	**217**	–
Takeaway supplies	**2,607**	3,027
Utilities	**2,769**	2,550
Variable lease payment not included in the measurement of lease liabilities	**2,726**	3,720
Others	**3,270**	5,321
	105,639	112,339

Notes:

(a) The total depreciation of plant and equipment charged for the year ended 31 March 2023 was approximately HK$3,406,000 (2022: approximately HK$3,452,000), of which, approximately HK$3,190,000 (2022: approximately HK$3,037,000) and approximately HK$216,000 (2022: approximately HK$415,000) 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 2023 was approximately HK$21,976,000 (2022: approximately HK$22,681,000), of which, approximately HK$21,772,000 (2022: approximately HK$21,140,000) and approximately HK$204,000 (2022: approximately HK$1,541,000) were included in operating expenses and cost of sales, respectively.

(c) The total staff costs incurred for the year ended 31 March 2023 was approximately HK$57,270,000 (2022: approximately HK$62,899,000), of which, approximately HK$46,456,000 (2022: approximately HK$49,033,000) and approximately HK$10,814,000 (2022: approximately HK$13,866,000) were included in operating expenses and cost of sales, respectively.

Gain on disposal of a business

The management noted that allocating resources to shop operations is more valuable than factory operations. Therefore, the Group has started to outsource manufacturing procedures since the fourth quarter of the Reporting Period in order to further enhance operating efficiency and achieve stringent cost control. Such streamlined process has enabled the Group to focus on strengthening its core competencies on its physical store operation, dedicated to providing elevated services with superb food quality under the Italian Tomato brand to its customers.

During the Reporting Period, the Group disposed the business of cake manufacturing at an aggregate consideration of HK$2,159,000. As a result of the disposal, the Group recorded a gain on disposal of a business of approximately HK$0.4 million.

Loss on disposal of subsidiaries

During the year ended 31 March 2022, 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.

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 2023, the Group's current assets amounted to approximately HK$49.1 million (2022: approximately HK$81.4 million) of which approximately HK$31.4 million (2022: approximately HK$61.5 million) was cash and bank deposits, approximately HK$17.4 million (2022: approximately HK$17.6 million) was debtors, deposits and prepayments. The Group's current liabilities amounted to approximately HK$144.5 million (2022: approximately HK$172.8 million), including creditors and accruals in the amount of approximately HK$129.3 million (2022: approximately HK$151.4 million).

As at 31 March 2023, convertible bonds issued by the Company amounted to approximately HK$40 million (2022: approximately HK$40 million). On 13 August 2021, the Company entered into the third supplemental deed with the bondholder pursuant to which the Company and the bondholder agreed to extend the maturity date of the Convertible Bond (as defined in the announcement of the Company dated 13 August 2021) for 36 months from the date falling on the sixth anniversary of the date of issue of the convertible bonds, being 15 August 2021, to 15 August 2024. As such, the Convertible Bonds (as defined in the announcement of the Company dated 13 August 2021) amounting to approximately HK$40 million which will not mature within twelve months was classified as non-current liabilities as at 31 March 2023 and 31 March 2022.

The current ratio and quick assets ratio of the Group as at 31 March 2023 were 0.34 and 0.34 respectively (2022: 0.47 and 0.46 respectively). As the Group incurred net liabilities as at 31 March 2023 and 31 March 2022, there is no debt-to-equity ratio, which is expressed as a ratio of total debts less cash and bank balances to total equity, to be calculated. The gearing ratio of the Group, 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 263% (2022: 193%).

Foreign exchange

During the years ended 31 March 2023 and 31 March 2022, 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 (2022: Nil).

Charges on the Group's assets

No Group's assets had been pledged or charged as at 31 March 2023 (2022: 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 2023.

Capital commitments

As at 31 March 2023, the Group's outstanding capital commitments were approximately HK$7,996,000 (2022: approximately HK$8,505,000).

Contingent liabilities

As at 31 March 2023, the Group did not have material contingent liabilities (2022: Nil).

Employees and remuneration policies

As at 31 March 2023, the Group had 115 full-time employees in Hong Kong and the PRC (2022: 198 full-time employees in Hong Kong and the PRC). The remuneration of employees of the Group is determined by reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and 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 which was expired on 19 July 2022 as well as the previous share option scheme adopted on 26 February 2003 which was expired on 25 February 2013. No share option was granted during the two years ended 31 March 2023 and 31 March 2022 and as at these 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 2023, approximately HK$28.7 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 2023, approximately HK$28.9 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 2022 and 31 March 2023:

Summary of use of the Net Proceeds

	Original allocation of the Net Proceeds *HK$ million*	Re-allocation of the unutilized amount as disclosed in the Company's announcement dated 6 November 2018 *HK$ million*	Re-allocation of the unutilized amount on/before 31 March 2021 *HK$ million*	Re-allocation of the unutilized amount during the year ended 31 March 2022 *HK$ million*	Actual amount utilized up to 31 March 2022 *HK$ million*	Unutilized balance as at 31 March 2022 *HK$ million*	Actual amount utilized up to 31 March 2023 *HK$ million*	Unutilized balance as at 31 March 2023 *HK$ million*
Operation and expansion of the existing food and beverage business	29.0	–	–	–	(22.0)	7.0	(28.7)	0.3
Company's corporate expenses	20.0	–	–	–	(20.0)	–	(20.0)	–
Repayment of bank loans	15.0	(15.0)	–	–	–	–	–	–
Potential investment opportunities	35.0	–	(12.0)	–	–	23.0	–	23.0
Investment in, research and development, sales and marketing of e-cigarette in the PRC and overseas countries	–	15.0	(2.8)	(3.7)	(2.9)	5.6	(2.9)	5.6
Investment in medical and healthcare business	–	–	14.8	3.7	(18.5)	–	(18.5)	–
	99.0	–	–	–	(63.4)	35.6	(70.1)	28.9

During the Reporting Period, the Group pursued a prudent yet efficient network expansion strategy and up to 31 March 2023, Net Proceeds amounting to approximately HK$28.7 million had been utilized for operating and expanding existing food and beverage business and the unutilized balance of approximately HK$0.3 million allocated for this purpose is expected to be fully utilized by 31 July 2023.

As at 31 March 2023, 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 2023, 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 above. 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 2025.

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 2023, 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 lingering effects of the COVID-19, 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 but the Group had not entered into any agreements nor memorandum of understanding for such type of acquisitions as at 31 March 2023. 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 2025. The actual timeline will be subject to the availability of appropriate acquisition targets, market condition and time required for performing due diligence work. As at the date of this announcement, the Board has not identified any suitable acquisition target.

The Directors will constantly evaluate the Group's business objectives and may change or modify the plans against the changing market condition to suit the business growth of the Group. Further announcement(s), in respect of redeploying the allocation and use of Net Proceeds, if necessary, will be made in accordance with the requirements of the GEM Listing Rules as and when appropriate to update its shareholders and potential investors.

EVENTS AFTER THE REPORTING PERIOD

Resignation and appointment of executive Director

As disclosed in the Company's announcement dated 1 June 2023, with effect from 1 June 2023, Ms. Huang Li has resigned as an executive Director and Mr. Zhang Tao has been appointed as an executive Director.

Memorandum of loans

On 14 June 2023, Mr. Tang Sing Ming Sherman ("**Mr. Tang**"), 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$98,453,000 as at 14 June 2023 was extended (the "**Extension**") from 22 June 2023 to 22 June 2024 (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 is repayable on demand.

Revocation of agreement

As at the date of this announcement, an indirect wholly owned subsidiary of the Company commenced arbitral proceedings against an independent third party in June 2023 to revoke an acquisition agreement (the "**Agreement**") entered into with the independent third party in June 2022 due to its failure to fulfil certain conditions in the Agreement.

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% (2022: 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 56% (2022: approximately 54%) and our single largest supplier accounted for approximately 23% (2022: approximately 20%) 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 2023, so far as the Directors were aware, the interests, short positions or long positions of the directors and the chief executives of the Company 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 were as follows:

Long positions in Shares of the Company

Name	Capacity in which interests are held	Number of Shares held	Approximate percentage of the Company's issued voting Shares *(Note 2)*
Ms. Huang Li *(Note 1)*	Interest of corporation controlled by Ms. Huang Li *(Note 1)*	296,887,066	57.01
	Beneficial owner	5,280,000	1.01

Notes:

(1) 296,887,066 shares are held by Oceanic Fortress Holdings Limited, the entire issued shares of which is wholly-owned by Ms. Huang Li, an executive Director and the chairlady of the Board.

(2) Based on 520,771,875 ordinary Shares of the Company in issue as at 31 March 2023.

Save as disclosed above, as at 31 March 2023, so far as the Directors were aware, none of the Directors and the chief executives of the Company had any interest, short position or long position in the 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, short positions and long positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rules 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 2023, 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 of the Company

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 the Company's issued voting shares *(Note 4)* %
Oceanic Fortress Holdings Limited *(Note 1)*	Beneficial owner	296,887,066	–	296,887,066	57.01
Ms. Huang Li *(Note 1)*	Interest of corporation controlled by Ms. Huang Li	296,887,066	–	296,887,066	57.01
	Beneficial owner	5,280,000	–	5,280,000	1.01
Mr. Tang Sing Ming Sherman *(Note 2)*	Beneficial owner	–	71,428,571	71,428,571	13.72
Ms. Ho Ming Yee *(Note 3)*	Interest of a substantial shareholder's spouse	–	71,428,571	71,428,571	13.72

Notes:

(1) 296,887,066 shares are held by Oceanic Fortress Holdings Limited, the entire issued shares of which 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 2023.

(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 2023.

Save as disclosed above, as at 31 March 2023, 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 SCHEME

The Company adopted a share option scheme on 26 February 2003 which was expired on 25 February 2013 and a share option scheme on 20 July 2012 which was expired on 19 July 2022 (collectively referred to as "**the Share Option Schemes**").

In order to enable the Company to continue to grant share options to eligible participants as incentives or rewards for their contributions or potential contribution to the success of the Group, the Board will propose a new share option scheme to be adopted at the upcoming annual general meeting.

No share option was granted during the year ended 31 March 2023 and 31 March 2022. And as at 31 March 2022 and 31 March 2023, there was no outstanding share option.

Save for the Share Option Schemes as disclosed above, the Group had no other share scheme (as defined under Chapter 23 of the GEM Listing Rules) in force during the Reporting Period and up to the date of this announcement.

COMPETING INTERESTS

As at 31 March 2023, 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 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 2023, the Audit Committee had held four meetings and had reviewed the draft report and accounts for the year ended 31 March 2023 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 2023 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 2023. 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
Zhang Tao
Chairman and Executive Director

Hong Kong, 26 June 2023

As at the date of this announcement, the executive Directors are Mr. Zhang Tao 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.