StarGlory Holdings Company Limited
榮暉控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8213)

THIRD QUARTERLY REPORT
FOR THE NINE MONTHS ENDED
31 DECEMBER 2019

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*This report, 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 report 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 report misleading.*

FINANCIAL HIGHLIGHTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

Consolidated revenue of the Company and its subsidiaries (collectively the "**Group**") was approximately HK$143.5 million for the nine months ended 31 December 2019, representing a decrease of approximately 26.3% compared with approximately HK$194.9 million recorded in the corresponding period last year.

Loss attributable to owners of the Company decreased to approximately HK$8.1 million for the nine months ended 31 December 2019 from approximately HK$20.4 million compared with the corresponding period last year.

RESULTS

The board (the "**Board**") of Directors of the Company hereby announces the unaudited condensed consolidated results of the Group for the nine months ended 31 December 2019, together with the comparative unaudited consolidated figures for the corresponding period last year:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the nine months ended 31 December 2019

		For the nine months ended 31 December		**For the three months ended 31 December**	
		2019	2018	**2019**	2018
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*2*	**143,548**	194,902	**51,981**	58,748
Cost of sales		**(52,999)**	(65,081)	**(19,173)**	(20,359)
Gross profit		**90,549**	129,821	**32,808**	38,389
Other income		**3,236**	2,444	**1,203**	1,054
Operating expenses		**(97,049)**	(147,304)	**(32,125)**	(45,454)
Operating (loss)/profit		**(3,264)**	(15,039)	**1,886**	(6,011)
Finance costs		**(4,283)**	(5,059)	**(1,520)**	(1,601)
(Loss)/profit before income tax		**(7,547)**	(20,098)	**366**	(7,612)
Income tax	*3*	**(755)**	(1,120)	**(306)**	(449)
(Loss)/profit for the period		**(8,302)**	(21,218)	**60**	(8,061)
(Loss)/profit for the period attributable to:					
Owners of the Company		**(8,122)**	(20,368)	**49**	(7,642)
Non-controlling interests		**(180)**	(850)	**11**	(419)
		(8,302)	(21,218)	**60**	(8,061)
(Loss)/profit per share (HK cents)	*4*				
– Basic		**(0.195)**	(0.489)	**0.001**	(0.183)
– Diluted		**N/A**	N/A	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the nine months ended 31 December 2019

	For the nine months ended 31 December		For the three months ended 31 December	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
(Loss)/profit for the period	**(8,302)**	(21,218)	**60**	(8,061)
Items that may be subsequently reclassified to profit or loss:–				
Exchange gain/(loss) arising from translation of financial statements of foreign operations	**391**	1,090	**(824)**	439
Total comprehensive loss for the period	**(7,911)**	(20,128)	**(764)**	(7,622)
Total comprehensive (loss)/ profit for the period attributable to:–				
Owners of the Company	**(7,716)**	(19,253)	**(780)**	(7,203)
Non-controlling interests	**(195)**	(875)	**16**	(419)
	(7,911)	(20,128)	**(764)**	(7,622)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 2019

	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 1.4.2018 (audited)	41,662	(291,033)	258,889	3,801	(1,403)	1,390	(143)	13,163	(2,418)	10,745
Extension of convertible bonds	–	1,390	–	–	–	346	–	1,736	–	1,736
Comprehensive loss										
Loss for the period	–	(20,368)	–	–	–	–	–	(20,368)	(850)	(21,218)
Other comprehensive income:– Exchange gain/(loss) arising from translation of financial statements of foreign operations	–	–	–	–	1,115	–	–	1,115	(25)	1,090
Total comprehensive loss for the period	–	(20,368)	–	–	1,115	–	–	(19,253)	(875)	(20,128)
At 31.12.2018 (unaudited)	41,662	(310,011)	258,889	3,801	(288)	1,736	(143)	(4,354)	(3,293)	(7,647)
At 1.4.2019 (audited)	**41,662**	**(366,949)**	**258,889**	**3,801**	**(768)**	**1,390**	**(143)**	**(62,118)**	**(3,271)**	**(65,389)**
Comprehensive loss										
Loss for the period	**–**	**(8,122)**	**–**	**–**	**–**	**–**	**–**	**(8,122)**	**(180)**	**(8,302)**
Other comprehensive income:– Exchange gain/(loss) arising from translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**406**	**–**	**–**	**406**	**(15)**	**391**
Total comprehensive loss for the period	**–**	**(8,122)**	**–**	**–**	**406**	**–**	**–**	**(7,716)**	**(195)**	**(7,911)**
At 31.12.2019 (unaudited)	**41,662**	**(375,071)**	**258,889**	**3,801**	**(362)**	**1,390**	**(143)**	**(69,834)**	**(3,466)**	**(73,300)**

Notes:

1. BASIS OF PREPARATION

(a) These unaudited condensed consolidated quarterly results have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and are prepared under the historical cost convention and the disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

These unaudited condensed consolidated quarterly results should be read in conjunction with the consolidated financial statements for the year ended 31 March 2019, which have been prepared in accordance with HKFRSs.

These unaudited condensed consolidated quarterly results have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the adoption of the new and revised HKFRSs (which include all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA that are initially adopted for the current period financial statements.

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

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

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

HKFRS 16 "Leases"

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

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

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

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

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

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

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

(b) Adoption of the going concern basis

When preparing the unaudited condensed consolidated quarterly results, the Group's ability to continue as a going concern has been assessed. These unaudited condensed consolidated quarterly results have been prepared by the Directors on a going concern basis notwithstanding that the Group incurred a loss of approximately HK$8,302,000 for the nine months ended 31 December 2019 and as of that date, the Group had net current liabilities and net liabilities of approximately HK$64,632,000 and HK$73,300,000 respectively as the Directors considered that:–

(1) Ms. Huang Li, being the sole beneficial owner and director of the ultimate holding company of the Company will provide continuing financial support to the Group; and

(2) On 19 June 2019, the lender of other loans signed a memorandum of loans with a subsidiary of the Company, pursuant to which the repayment date of the outstanding other loans balance of approximately HK$124,059,000 as at 19 June 2019 was extended from 22 June 2019 to 22 June 2020.

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

2. REVENUE

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

	For the nine months ended 31 December	
	2019	2018
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Revenue from customers and recognized at a point in time		
– Provision of food and beverage services and others	**143,548**	194,902

3. INCOME TAX

Taxation in the profit or loss represents:

	For the nine months ended 31 December	
	2019	2018
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current tax	**860**	963
Deferred tax	**(105)**	156
	755	1,120

(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 (2018: Hong Kong – 16.5%, PRC – 25% and Taiwan – 17%).

4. LOSS PER SHARE

The calculation of basic loss per share for all periods presented is based on loss attributable to owners of the Company of approximately HK$8,122,000 (2018: approximately HK$20,368,000) and the weighted average number of ordinary shares of 4,166,175,000 (2018: 4,166,175,000 ordinary shares) in issue during all periods.

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 31 December 2019 and 2018.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the nine months ended 31 December 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's unaudited revenue for the nine months ended 31 December 2019 (the "**Reporting Period**") amounted to approximately HK$143.5 million (2018: approximately HK$194.9 million), representing a decrease of approximately 26.3% compared with the same period of the last financial year. Net loss attributable to owners of the Company decreased by approximately HK$12.2 million to approximately HK$8.1 million as compared with the same period of the last financial year. During the Reporting Period, a significant decrease in loss was recorded. This was mainly attributable to the Group's successful business strategy to turn its operations from a loss into a profit in the third quarter period from 1 October 2019 to 31 December 2019 (the "**Third Quarter Period**"). In terms of food and beverage business, the Group reviewed the performance of restaurants and consolidated under-performing restaurants to further enhance the structure and reduce unnecessary expenses during the Third Quarter Period. In addition, as to Hong Kong market, our business was not as severely affected by the recent social movement as compared with our peers during the Third Quarter Period.

Industry Overview

During the Reporting Period, resulting from rising trade barriers, renewed financial stress in emerging economies, and subdued growth in several major economies, the global economy expanded at its slowest pace since the Great Recession in 2009. Faced with declined market demand and sluggish investment, global trade and industrial activities slowed to a standstill, forcing the central banks to cut interest rates in the hope of boosting exports. According to the World Bank, the global economic growth rate in 2019 is expected to decelerate to 2.6%, indicating the growing concerns over a gloomy economic outlook.

In regard to domestic market, severe downward pressure on China's economy within a complicated and challenging global environment further dampened the country's GDP growth, which decelerated to 6.1% in 2019. Fortunately, while middle class spending increased along with the improved overall living standard, it is found that an increasing number of young professionals, who were mainly born in the 1990s, tend to use food ordering apps or have late dinner in restaurants, contributing to a satisfactory growth in catering revenue. According to Statista Research Department, it is estimated that the revenue of China's food and beverage industry would reach approximately RMB4,530 billion in 2019, representing a year-on-year increase of approximately 6.1%. Riding on the promising expansion in overall scale of China's food and beverage industry, large-scale enterprises maintained rapid growth, while the small and micro industry players saw a stable and healthy development. Rapid technological advancement in the country contributes to the growing importance of online-to-offline food delivery system in the sector, leading to changes in consumer behavior. In 2018, the penetration rate of online-to-offline food delivery service in the Chinese market was estimated to reach 23.2%.

Hong Kong's economy slipped into recession and deteriorated sharply in the third quarter of 2019, as the recent social movement dealt a severe blow to the already sluggish local economy, which has been adversely affected by the global economic slowdown and the United States ("**U.S.**")-China trade tensions. Hong Kong's economy contracted 2.9% in the third quarter of 2019, marking its first year-on-year decline since 2009. Private consumption and investment sentiment continued to be disrupted by social unrest and poor economic prospects, while there was a significant shortfall in internal demand in the third quarter of 2019. Moreover, visitor arrival fell by over 20% during the Christmas holiday, a traditional peak-season for the tourism sector. Faced with restrained consumer spending and reduced number of tourists, food and beverage sector in Hong Kong suffered losses in revenue, whilst the unemployment rate in the sector rose to 6.2%, the highest in more than eight years. In addition, Hong Kong Federation of Restaurants and Related Trades stated that the sector sustained a monthly loss of approximately HK$2 billion since June 2019.

Regarding the e-cigarette sector, owing to the Chinese government's tightening regulations on e-cigarettes, such as stricter control over online sales, advertisement and production, margins were squeezed by increased production costs. The trade association estimated that China's e-cigarette sector has laid off roughly 10% of its workforce since October 2019 as a result of curbed production.

Business Review

Food and beverage are vital to our livings, but food and beverage industry is vulnerable to the business environment. The current unstable social environment plus the persistence of high operating costs (namely, rental, labour, food and utilities) deprives the tiny margin earned by the food and beverage operators. Amid this critical business environment during the Reporting Period, our major agenda is to strive for survival.

The Group's food and beverage businesses are a collection of Japanese related concepts in Hong Kong and the mainland China, including the restaurants, café and cake shops under the Japanese brand of Italian Tomato, the Japanese tonkatsu under the brand of Ginza Bairin, the Japanese curry specialty stores under the brand of Shirokuma Curry and the Japanese izakaya under the brand of Enmaru.

Italian Tomato, our major brand of restaurants, café and cake shops, is still a big contributor to the Group's revenue. Through years of effort on product innovation, menu re-engineering and customer relationships, Italian Tomato has already been a well-recognized brand in Hong Kong. The result for the Reporting Period in Hong Kong was satisfactory as compared with our competitors, our business was less affected by the recent social event and the management still believes Italian Tomato has a promising future. 2 more cake shops are opened in Hong Kong during the Reporting Period resulting in a total of 28 cafés and shops in Hong Kong as at 31 December 2019. The management believes that after years of establishment and presence in Hong Kong, lessons and experience have been accumulated while weaknesses and strengths have been identified, Italian Tomato will reach a breakpoint to conduct a thorough brand repositioning. Considering the current social instability and the expected economic recession, the management strategically slowdowns the development speed of Italian Tomato.

Ginza Bairin, the Japanese tonkatsu, has 1 shop in Hong Kong and 1 shop in the PRC as at 31 December 2019. As the PRC shop's tenancy is expiring soon, whether the PRC shop could be continued depends on whether the management could conclude the new tenancy with the landlord. Regarding franchise operation, Ginza Bairin has no franchise shop after the last franchisee in the PRC surrendered the location to the landlord during the last quarter.

Shirokuma Curry has been serving its unique taste of curry for a period of time, and the management noted that Shirokuma's unique curry is quite welcomed in the Shanghai market though with a big competition. After a series of branding program, the development of Shirokuma Curry is expected to ride on the right track and its products will become attractive to Shanghai customers, more resources and efforts are certainly needed to invest in Shirokuma Curry for expanding its network and achieving a good result. Shirokuma Curry has 6 shops in the PRC as at 31 December 2019. Other than the self-operated shops, its franchise network has 2 licensed shops as at 31 December 2019, the management needs more concentration on its quality control and identification of potential franchisee as it will be a huge challenge to advance the franchise system.

Enmaru, the Japanese izakaya, the management initially aimed to bring the most authentic Tokyo Enmaru experience to food lovers in Hong Kong and the PRC. The management however concluded that the past business plan and effort cannot achieve a good result for Enmaru. As at 31 December 2019, there is no Enmaru shop and no plan for shop opening. The management is now studying its market position, pricing and potential.

In view of the Chinese government's strengthening supervision policies on e-cigarettes, the Group will continue monitoring the market condition prudently and reviewing investments in the industry, and may make necessary adjustments to resource allocation as appropriate, after taking into account all factors, including market environment and industry prospects, among others.

Future Prospects

Central banks of major countries such as China, the U.S., and European countries have adopted accommodative monetary policy to stimulate economic growth by cutting interest rates. China and the U.S. have sent positive signals to the global economic outlook as the two largest economic powerhouses has signed the first phase of the long-awaited trade deal, and will continue the dialogue on the second phase in foreseeable future. Despite the slowest growth in the global economy since the global financial crisis in 2009, the International Monetary Fund predicts that the global economy will grow faster at 3.4% in 2020. Analysts also believe that de-escalated geopolitical tensions and improved market climate will boost consumer confidence, thereby lending support to the food and beverage industry.

The Group is principally engaged in food and beverage business. Looking ahead, the Group will continuously strive to improve its operational efficiency and business performance, in order to further enhance its competitiveness in the food and beverage sector. The Annual Report on Catering Industry Development of China (2019) revealed that China's catering industry, which is boosted by the country's digital economy's development, maintained fast and stable growth during forty years of reform and opening-up. Most importantly, it is predicted that China will overtake the U.S. as the world's biggest catering market in 2023. As the food and beverage sector in China is booming, the Group will take a prudent approach to ensure a measured but solid development of its food and beverage business in the mainland China. It will stringently control operating costs and improve production efficiency, while keeping abreast of market trends. To keep pace with the quickly evolving customer behaviors in the sector, the Group will actively explore new business model to cater to dynamic customer needs, such as tapping into the online-to-offline food delivery market.

In regard to the local market, it takes time for Hong Kong to regain visitors' confidence and improve the market sentiment. According to Hong Kong Government's latest policy address, measures have been introduced to alleviate the city's economic slowdown and support retails, food and beverage industries. Regardless of the lingering social movement and uncertainties in the market, the Group will adopt multi-pronged approaches, including refining menu combination, creating more enjoyable dining experience and offering more high-quality service and products to customers, in order to embrace the challenges ahead and maintain stable business development during this tough period.

As affected by the recent outbreak of the severe pneumonia, residents in the mainland China and Hong Kong avoid going to crowded places. Their desire of dining out has been dampened, thus the number of restaurant patrons has fallen significantly. Mr. Simon Wong Ka Wo, President of the Hong Kong Federation of Restaurants and Related Trades, expects revenue of the local catering industry will fall by at least 30% during the Lunar New Year, while the future market condition depends on whether the outbreak is brought under control.

Looking forward, as the market conditions are gradually becoming clear, the Group will strive to explore investment opportunities with a prudent approach while continuing its existing food and beverage business. While adopting a prudent approach on its existing operations and financial position, the Group will also take decisive actions in order to maintain stable profit margins and identify suitable direction and plan for future business development, with the ultimate goal of enhancing the Group's long-term competitiveness, thus achieving better returns for its shareholders and investors.

FINANCIAL REVIEW

Consolidated results of operations

For the nine months ended 31 December 2019, the Group recorded a revenue of approximately HK$143.5 million (2018: approximately HK$194.9 million), which decreased by approximately 26.3% compared with the corresponding period of last year resulting from the closure of certain under-performing restaurants.

Loss attributable to owners of the Company for the nine months ended 31 December 2019 was approximately HK$8.1 million (2018: approximately HK$20.4 million).

The gross profit margin of the Group for the nine months ended 31 December 2019 was approximately 63% (2018: approximately 67%).

The Group strived to exercise stringent cost control and further enhance operational efficiency during the Reporting Period. As a result, total operating expenses for the nine months ended 31 December 2019 decreased by approximately 34.1% to approximately HK$97.0 million (2018: approximately HK$147.3 million), which was in line with the decrease of revenue and resulted from stringent cost control.

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

During the nine months ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 31 December 2019, so far as the Directors were aware, none of the Directors and the chief executives of the Company had any interest or short position in any shares (the "**Shares**"), underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2019, according to the register kept by the Company pursuant to section 336 of the SFO, so far as the Directors were aware, the following persons (other than the Directors or chief executives of the Company) had, or were deemed or taken to have, an interest or a short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO:

Long positions in shares and underlying shares of the Company

Name of shareholders	Capacity in which interests are held	Number of Shares held	Number of underlying Shares held	Total number of Shares and underlying Shares held	Approximate percentage of the Company's issued voting Shares *(Note 4)* %
Oceanic Fortress Holdings Limited *(Note 1)*	Beneficial owner	2,335,586,529	–	2,335,586,529	56.06
Ms. Huang Li *(Note 1)*	Interest of corporation controlled by Ms. Huang Li	2,335,586,529	–	2,335,586,529	56.06
Mr. Tang Sing Ming Sherman *(Note 2)*	Beneficial owner	–	571,428,571	571,428,571	13.72
Ms. Ho Ming Yee *(Note 3)*	Interest of a substantial shareholder's spouse	–	571,428,571	571,428,571	13.72

Notes:

(1) The ordinary Shares are held by Oceanic Fortress Holdings Limited, the entire issued shares of which is owned by Ms. Huang Li.

(2) Mr. Tang Sing Ming Sherman holds the convertible bonds in respect of the outstanding principal amount of HK$40,000,000, under which a total of 571,428,571 ordinary Shares of the Company would be issued upon full exercise of the conversion rights attaching thereto. Upon full conversion of the convertible bonds, Mr. Tang Sing Ming Sherman would hold 571,428,571 ordinary Shares, representing approximately 13.72% of the issued voting Shares of the Company as at 31 December 2019.

(3) Ms. Ho Ming Yee is the spouse of Mr. Tang Sing Ming Sherman, and is therefore deemed to be interested in the same number of Shares held by Mr. Tang Sing Ming Sherman.

(4) Based on 4,166,175,000 ordinary Shares of the Company in issue as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, so far as the Directors were aware, the Directors were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or a short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTIONS

Share Option Schemes

The Company has adopted share option schemes on 26 February 2003 and 20 July 2012 (collectively, the "**Share Option Schemes**").

The purpose of the Share Option Schemes is to provide the participants with an opportunity to acquire equity interests in the Company, thus providing them with an incentive to continue contributing to the success of the Company.

Subject to the terms of the Share Option Schemes, the committee (the "**Committee**") which was authorized and charged by the Board with the administration of the Share Option Schemes may, at any time, offer to grant to any employee, agent, consultant or representative of the Company or any of its subsidiaries, including any executive or non-executive Director of the Company or any subsidiary of the Company who, the Committee may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his or her performance and/or years of service, or is regarded as valuable human resources of the Group based on his or her work experience, knowledge in the industry and other relevant factors, options to subscribe for such number of shares as the Committee may determine at the exercise price. The terms of the Share Option Schemes are in accordance with the provisions of Chapter 23 of GEM Listing Rules.

The maximum number of shares to be issued in respect of which options may be granted (together with shares in respect of which options are then outstanding under the Share Option Schemes or any other schemes of the Company) under the Share Option Schemes shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time.

The maximum entitlement for any one participant (including exercised, cancelled and outstanding options) granted or to be granted in any twelve months period shall not exceed 1% of the total number of shares in issue, provided that options may be issued in excess of such limit if the new grant exceeding 1% of the total number of shares in issue shall have been approved by shareholders of the Company in a general meeting at which the proposed grantee and his associates shall have abstained from voting.

Options may be exercised in whole or in part in the manner provided in the Share Option Schemes by a grantee (or, as the case may be, by his or her legal personal representative) giving notice in writing to the Company after it has vested at any time during the period, which shall be not more than ten years from the date an option is offered (the "**Offer Date**"). No performance target is required to be reached by the participant before any option can be exercised.

A sum of HK$1 is payable by the participant on acceptance of the option offer.

The exercise price for the shares (the "**Exercise Price**") in relation to options to be granted under the Share Option Schemes shall be determined by the Committee and notified to a participant and shall be at least the higher of:

(i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on the Offer Date; and

(ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date,

provided that the Exercise Price shall not be lower than the nominal value of the shares.

No share option was granted, exercised, lapsed or cancelled during the Reporting Period and as at 31 December 2019, there was no outstanding share option.

CHANGE OF DIRECTORS

As disclosed in the Company's announcement dated 21 May 2019 and the annual report of the Company for the year ended 31 March 2019, with effect from 21 May 2019, Mr. Zheng Hua has resigned as an executive Director and Mr. Wu Xiaowen has been appointed as an executive Director.

COMPETING INTERESTS

As at 31 December 2019, none of the Directors, the controlling shareholders or their respective associates (as defined in the GEM Listing Rules) had any interests in any business which competed with or might compete with the business of the Group or had any other conflicts of interests with the Group.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's draft annual, interim and quarterly financial reports and accounts and to provide advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Yee Ping Michael, Mr. Deng Guozhen and Mr. Zeng Shiquan.

Up to the date of approval of the Group's unaudited results for the nine months ended 31 December 2019, the Audit Committee had held three meetings and had reviewed the draft quarterly report and accounts for the nine months ended 31 December 2019 prior to recommending such report and accounts to the Board for approval.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the nine months ended 31 December 2019, the Company adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Company's Directors complied with such required standard of dealings and its code of conduct regarding directors' securities transactions.

CORPORATE GOVERNANCE

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the nine months ended 31 December 2019.

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

Hong Kong, 12 February 2020

As at the date of this report, 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. Deng Guozhen and Mr. Zeng Shiquan.

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