

StarGlory Holdings Company Limited 榮暉控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8213)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2021

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FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED 30 JUNE 2021

Consolidated revenue of the Company and its subsidiaries (collectively the “**Group**”) was approximately HK\$41.3 million for the three months ended 30 June 2021, representing a decrease of approximately 0.2% compared with approximately HK\$41.4 million recorded in the corresponding period last year.

Loss attributable to owners of the Company was approximately HK\$5.2 million for the three months ended 30 June 2021 as compared to profit attributable to owners of the Company of approximately HK\$0.6 million in the corresponding period last year.

RESULTS

The board of Directors (the “**Board**”) of the Company hereby announces the unaudited condensed consolidated results of the Group for the three months ended 30 June 2021, together with the comparative unaudited consolidated figures for the corresponding period last year:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the three months ended 30 June 2021

		For the three months ended 30 June	
	Note	2021 HK\$'000	2020 HK\$'000
Revenue	2	41,256	41,354
Cost of sales		<u>(17,950)</u>	<u>(15,970)</u>
Gross profit		23,306	25,384
Other income		622	4,334
Operating expenses		<u>(28,070)</u>	<u>(27,584)</u>
Operating (loss)/profit		(4,142)	2,134
Finance costs		<u>(1,412)</u>	<u>(1,433)</u>
(Loss)/profit before income tax		(5,554)	701
Income tax credit/(expense)	3	<u>366</u>	<u>(107)</u>
(Loss)/profit for the period		<u>(5,188)</u>	<u>594</u>
(Loss)/profit for the period attributable to:			
Owners of the Company		(5,190)	612
Non-controlling interests		<u>2</u>	<u>(18)</u>
		<u>(5,188)</u>	<u>594</u>
(Loss)/earnings per share (HK cents)	4		
– Basic		<u>(0.12)</u>	<u>0.01</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)*For the three months ended 30 June 2021*

	For the three months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period	<u>(5,188)</u>	<u>594</u>
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Exchange (loss)/gain arising from translation of financial statements of foreign operations	<u>(771)</u>	<u>177</u>
Total comprehensive (loss)/income for the period	<u>(5,959)</u>	<u>771</u>
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	<u>(5,961)</u>	<u>790</u>
Non-controlling interests	<u>2</u>	<u>(19)</u>
	<u>(5,959)</u>	<u>771</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2021

	Attributable to owners of the Company									
	Share capital	Accumulated losses	Share premium	Special reserve	Exchange reserve	Convertible bonds equity reserve	Other reserve	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1.4.2020 (audited)	41,662	(392,996)	258,889	3,801	(448)	1,390	(143)	(87,845)	(330)	(88,175)
Comprehensive income/(loss)										
Profit for the period	-	612	-	-	-	-	-	612	(18)	594
Other comprehensive income:										
Exchange gain/(loss) arising from translation of financial statements of foreign operations	-	-	-	-	178	-	-	178	(1)	177
Total comprehensive income/(loss) for the period	-	612	-	-	178	-	-	790	(19)	771
At 30.6.2020 (unaudited)	<u>41,662</u>	<u>(392,384)</u>	<u>258,889</u>	<u>3,801</u>	<u>(270)</u>	<u>1,390</u>	<u>(143)</u>	<u>(87,055)</u>	<u>(349)</u>	<u>(87,404)</u>
At 1.4.2021 (audited)	41,662	(390,475)	258,889	3,801	128	1,390	17	(84,588)	-	(84,588)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	(967)	(967)
Comprehensive (loss)/income										
(Loss)/profit for the period	-	(5,190)	-	-	-	-	-	(5,190)	2	(5,188)
Other comprehensive income:										
Exchange loss arising from translation of financial statements of foreign operations	-	-	-	-	(771)	-	-	(771)	-	(771)
Total comprehensive (loss)/income for the period	-	(5,190)	-	-	(771)	-	-	(5,961)	2	(5,959)
At 30.6.2021 (unaudited)	<u>41,662</u>	<u>(395,665)</u>	<u>258,889</u>	<u>3,801</u>	<u>(643)</u>	<u>1,390</u>	<u>17</u>	<u>(90,549)</u>	<u>(965)</u>	<u>(91,514)</u>

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 2021, 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 2021 annual financial statements, except for all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its annual period beginning on 1 April 2021. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s unaudited condensed consolidated quarterly results and amounts reported for the current period and prior periods.

(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 had net current liabilities and net liabilities of approximately HK\$115,974,000 and HK\$91,514,000 respectively as at 30 June 2021 as the Directors considered that:

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

After taking into consideration of 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 three months ended 30 June	
	2021 (unaudited) <i>HK\$'000</i>	2020 (unaudited) <i>HK\$'000</i>
Revenue from customers and recognized at a point in time		
– Provision of food and beverage services and others	<u>41,256</u>	<u>41,354</u>

3. INCOME TAX

Taxation in the profit or loss represents:

	For the three months ended 30 June	
	2021 (unaudited) <i>HK\$'000</i>	2020 (unaudited) <i>HK\$'000</i>
Current tax	(366)	61
Deferred tax	<u>–</u>	<u>46</u>
Income tax credit/(expense)	<u>(366)</u>	<u>107</u>

- (i) Pursuant to the relevant 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 (2020: Hong Kong – 16.5% and PRC – 25%).

4. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$5,190,000 (2020: profit of approximately HK\$612,000) and the weighted average number of ordinary shares of 4,166,175,000 (2020: 4,166,175,000 ordinary shares) in issue during the three months ended 30 June 2021.

Diluted (loss)/earnings per share has not been disclosed as no dilutive potential equity shares are in existence as at 30 June 2021 and 2020.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend in respect of the three months ended 30 June 2021 (the “**Reporting Period**”) (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group’s unaudited revenue for the Reporting Period amounted to approximately HK\$41.3 million (2020: approximately HK\$41.4 million), representing a decrease of approximately 0.2% as compared to the corresponding period last year. Loss attributable to owners of the Company was approximately HK\$5.2 million for the Reporting Period while a profit attributable to owners of the Company of approximately HK\$0.6 million was recorded in the corresponding period last year.

Industry Overview

It has been over a year since the outbreak of novel coronavirus (“**COVID-19**”), which was first reported in late 2019 and subsequently declared a pandemic by the World Health Organization (WHO). Confirmed cases rose to nearly 190 million globally as of mid-July 2021, while the number of deaths recently exceeded 4 million. The global economy experienced one of the most severe recession as economic activities were brought to a standstill. Governments around the world have introduced different levels of public health measures to contain the pandemic, and vaccines were also rolled out in the first quarter of 2021. Despite the low global inoculation rates, which are attributable to hesitancy caused by safety concerns and doubts over effectiveness of vaccines, the world’s economy is gradually recovering in 2021. According to the Global Trade Update issued by the United Nations Conference on Trade and Development, global trade showed a nascent upturn in the first quarter of 2021, increasing by about 10% year-over-year and 4% quarter-over-quarter. Global trade in the second quarter is forecasted to reach US\$6.6 trillion, representing a growth of 31% over the lowest point in 2020.

In China, owing to effective measures of the Chinese government, the resurgence of COVID-19 in Beijing and certain provinces in January 2021 did not cause a widespread outbreak. Also, China’s economy sustained a steady recovery with production and demand picking up. According to the data released from National Bureau of Statistics of China, the country’s GDP increased 7.9% year-on-year in the second quarter of 2021. The growth was underpinned by exports as its trading partners eased lockdown measures and vaccination drives picked up steam. China has also set an annual economic growth target above 6% for 2021 to mark a return to strong growth after COVID-19 pandemic impacted the world’s second largest economy.

In Hong Kong, COVID-19 pandemic has adversely affected all industries, and the food and beverage industry has not been spared. Fortunately, according to the Census and Statistics Department of Hong Kong, revenue generated by the restaurants sector in the second quarter of 2021 was HK\$23.3 billion, an increase of 9.9% year-on-year, reflecting that business rebounded along the stable epidemic situation and improved economic conditions. However, total revenue in the second quarter was still notably lower than the level before the COVID-19 pandemic. With no sign of easing of social distancing measures and quarantine restrictions at the borders, the sector is expected to remain difficult and is unlikely to resume to the pre-pandemic level this year. Nonetheless, COVID-19 has changed the dining behavior of the public, resulting in the boosting demand of takeaway and delivery services. Data from the “Online Food Delivery Services Global Market Report 2021” showed that the global online food delivery services market is expected to grow from US\$115.07 billion in 2020 to US\$126.91 billion in 2021, an increase of 10.3%. It is expected that the growth momentum of “new normal” of online food delivery services will sustain in 2021.

Amid the disruption brought by COVID-19, people are acutely conscious of good health. The growing appetite for healthier living fuels the growing demand of the healthcare products. A Fitch Solutions report projected that total healthcare expenditure in China was to reach RMB6.44 trillion in 2020. On the other hand, China has become the second-largest beauty and personal care products market in the world, which is largely supported by skincare products due to the increasing purchasing power of modern women in relation to beauty and skin maintenance in China, according to Statista.

As for the e-cigarette industry, data from Arizton Research revealed that China is the largest potential market for e-cigarettes. As of 2019, China had an estimate of 286.7 million smokers, with potential market size of RMB112.9 billion. By comparison, the penetration rate of e-cigarettes was less than 1.2%, reflecting a huge room for its development in China. However, the State Administration for Market Regulation in China issued a notice about the “Special Action Plan for Protecting Growth” in June 2021, which indicated that the supervision of e-cigarette industry in the country will be further tightened. With stricter rules on e-cigarettes, weaker and poor-performing players are anticipated to exit the market, thereby enhancing the market development in the long-term.

Business Review

It is still a long road to victory of overcoming “COVID-19” as the “Delta Variant” is more contagious than the original one. However, resulting from the vaccination and various anti-epidemic measures adopted by Hong Kong people, the pandemic situation in Hong Kong becomes steady and the market begins to recover in the second quarter of 2021. Thanks to the encouragement, support and patience from our loyal customers and suppliers, and diligent staff, the Group’s food and beverage business has a fair result for the Reporting Period.

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

Italian Tomato, is the Group’s major brand of restaurants, café and cake shops, and the major revenue contributor to the Group. Italian Tomato is undoubtedly one of the well-recognized cake shops in Hong Kong, both traditional and seasonal products are welcomed in the market. The result of the Reporting Period is encouraging, which gives great encouragement and confidence to the management for enlarging the network of Italian Tomato. As at 30 June 2021, there are 6 cafés and 23 cake shops in Hong Kong. 2 cake shops were closed during the Reporting Period merely because of different tenancy matters, one is the expiry of tenancy and the other one is the renovation of shopping mall; the management is actually considering to accelerate the expansion path and increase the number of shops later in this financial year.

Ginza Bairin, the Japanese tonkatsu, has 1 shop in Hong Kong and maintains a satisfactory result in the Reporting Period, which demonstrates that this business is small in scale but strong for survival. As a small but steady population of tonkatsu lover is addicted to Ginza Bairin’s taste, the management may re-enter the PRC market when the pandemic situation becomes steady.

From time to time, the Group reviews its existing business and actively explores appropriate business and investment opportunities, in hopes of diversifying its business and broadening its revenue stream. To tap into the fast-growing healthcare market, the Group has progressively developed its healthcare business since 2020. It is worth mentioning that the Group has completed the acquisition of 70% equity interest in Huayin (Shenzhen) Biotechnology Co., Ltd (“**Huayin Biotechnology**”) in mid-May 2021, which engages in the development of biotechnology and skincare products. Huayin Biotechnology officially launched a series of new skincare products in relation to freckle removal and skin whitening in the PRC in December 2020 under the brand name “NA+NP BEAUTY MARKING TIME NONERAPOSTO BEAUTY MARKING TIME”. Such products include facial cleanser, spray, serum, eye serum, cream and mask. The formula of patented enzyme technology developed by Novel Prize winning biologist with effective marketing strategy unlock the door to success. Subsequent to a product launch campaign and targeted marketing efforts, the products have earned wide customers’ attention and began to generate revenue to the Group since last quarter, marking a successful breakthrough of the Group in the healthcare market. Given the increasing customer demand, skincare products for freckle removal and skin whitening have witnessed a huge market demand and growth potential. By leveraging the biotechnology expertise of Huayin Biotechnology, the Group is set to improve its competitiveness so as to create a new growth driver for its business development.

With regard to the e-cigarette business, given that the Chinese authority has intensified regulatory efforts on e-cigarettes, the Group adopts a wait-and-see attitude towards the industry and continues to closely monitor the market condition. The Group 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

With COVID-19 pandemic in its second year and vaccine safety concerns easing, governments endeavor to increase vaccination rates to approach herd immunity levels. Some countries, in particular the emerging ones, are struggling with the highly contagious Delta variant of the virus, while many countries and jurisdictions, including China and Hong Kong, have generally contained the spread. The International Monetary Fund estimated that the global economy will grow by 6% in 2021, with the growth rate moderating to 4.4% in 2022. The Chinese government set its annual economic growth target at above 6% while Hong Kong’s economy is slated to grow by 3.5% to 5.5% in 2021. Looking ahead, the Group anticipates business performance to make progress along with the economy in the second half of the year.

The Group’s food and beverage business is expected to grow as the business sentiment has improved, together with the support from government relief measures. The Hong Kong government rolled out the Consumption Voucher Scheme, encouraging the public to consume in local retail, catering and services sectors. In light of an increasing trend of Online-to-Offline services, the Group will continue to invest in digitalization, including but not limited to collaborating with third party food delivery services, optimizing the self-developed ordering platform and CRM system, to seize the thriving opportunities arising from this new trend and gain a foothold in the food delivery industry. However, given that the operating environment of the food and beverage sector is still challenging, in the lack of tourist spending, the Group will apply a stringent operating cost control and strategically allocate resources to reinforce market penetration by expanding cake shop business in Hong Kong.

The healthcare market in China is predicted to reach RMB198 billion in 2026, representing a tenfold increment from 2016. In view of the flourishing growth in the beauty and healthcare market, the Group observes a promising future in the next five years with the Chinese government's support. Following the successful launch of skincare products in March 2021, the Group will constantly review its business strategies and deepen its relationship with Huayin Biotechnology to capture the growing business opportunities. The Group will continue to explore the business potential through strategic collaboration with beauty salons, hospitals and pharmacies. As always, the Group will keep close eyes on latest technologies and purchase high standard devices to provide top-notch services to customers. Through relentlessly scaling up the business and enriching product portfolio with a prudent approach, the Group is confident in strengthening its prominent position in the market and maximizing the profitability to generate positive returns to shareholders.

The e-cigarette business prospect remains uncertain given the Chinese government's continuous effort in regulating and monitoring the cigarette consumption in the country. The Group will continue to monitor the industry environment, review its business strategy and investment, and finetune its business focus and resource deployment when necessary.

FINANCIAL REVIEW

Consolidated results of operations

For the Reporting Period, the Group recorded revenue of approximately HK\$41.3 million (2020: approximately HK\$41.4 million), which decreased by approximately 0.2% compared with the corresponding period last year mainly because no revenue was recognized from Japanese curry restaurants under the trade name of Shirokuma Curry for the Reporting Period which was disposed in late September 2020.

Loss attributable to owners of the Company was approximately HK\$5.2 million for the Reporting Period as compared to a profit attributable to owners of the Company of approximately HK\$0.6 million in the corresponding period last year. Such loss was mainly due to the combined effect of (i) decrease in other income as no wage subsidies under the Employment Support Scheme launched by the government of the Hong Kong Special Administrative Region (the "HKSAR") and subsidies from the Anti-epidemic Fund from the government of the HKSAR were received and recognized as other income during the Reporting Period while subsidies in the sum of approximately HK\$3.7 million was recorded in other income for the Group's business activities carried out in Hong Kong during the corresponding period last year; and (ii) increase in operating expenses as the Group commenced full operation in its new healthcare business at the beginning of 2021, and has put some financial resources to develop this new segment, resulting in an increase in operating expenses during the Reporting Period.

The gross profit margin of the Group was approximately 56.5% (2020: approximately 61.4%). The decrease in ratio was mainly attributable to the increase in costs of food ingredients.

Total operating expenses increased by approximately 1.8% to approximately HK\$28.1 million (2020: approximately HK\$27.6 million). The increase in operating expenses as compared to the corresponding period last year was mainly due to the increase in the operating expenses incurred by the Group in developing its new healthcare business.

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

During the three months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 30 June 2021, so far as the Directors were aware, none of the directors and the chief executives of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("the SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2021, according to the register kept by the Company pursuant to section 336 of the SFO, so far as the Directors were aware, the following persons (other than the Directors whose interests are disclosed above) had, or were deemed or taken to have, an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in shares

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

Notes:

- (1) The ordinary shares are held by Oceanic Fortress Holdings Limited, the entire issued shares of which 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 share capital of the Company as at 30 June 2021.
- (3) Ms. Ho Ming Yee is the spouse of Mr. Tang Sing Ming Sherman, and is therefore deemed to be interested in the same number of shares of the Company held by Mr. Tang Sing Ming Sherman.
- (4) Based on 4,166,175,000 ordinary shares of the Company in issue as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, so far as the Directors were aware, the Directors were not aware of any other 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 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 adopted share option schemes on 26 February 2003 and 20 July 2012 (collectively, the “**Share Option Schemes**”). The purpose of the Share Option Schemes is to provide the participants with an opportunity to acquire equity interests in the Company, thus providing them with an incentive to continue contributing to the success of the Company.

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

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

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

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

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

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

- (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the Offer Date; and
- (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the Offer Date,

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

No share option was granted during the Reporting Period and as at 30 June 2021 and 2020, there was no outstanding share option.

COMPETING INTERESTS

As at 30 June 2021, none of the Directors, the controlling shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interests in any business which competed with or might compete with the business of the Group or had any other conflicts of interests with the Group.

AUDIT COMMITTEE

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

Up to the date of approval of the Group’s unaudited results for the three months ended 30 June 2021, the Audit Committee had held one meeting and had reviewed the draft quarterly report and accounts for the three months ended 30 June 2021 prior to recommending such report and accounts to the Board for approval.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the three months ended 30 June 2021, 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 three months ended 30 June 2021.

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

Hong Kong, 11 August 2021

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

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