

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 2022

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FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED 30 JUNE 2022

Consolidated revenue of the Company and its subsidiaries (collectively the “**Group**”) was approximately HK\$39.3 million for the three months ended 30 June 2022, representing a decrease of approximately 4.8% compared with approximately HK\$41.3 million recorded in the corresponding period last year.

Loss attributable to owners of the Company decreased to approximately HK\$0.5 million for the three months ended 30 June 2022 from approximately HK\$5.2 million recorded 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 2022, 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 2022

		For the three months ended 30 June	
	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	2	39,282	41,256
Cost of sales		<u>(16,212)</u>	<u>(17,950)</u>
Gross profit		23,070	23,306
Other income		4,506	622
Operating expenses		<u>(27,405)</u>	<u>(28,070)</u>
Operating profit/(loss)		171	(4,142)
Finance costs		<u>(1,412)</u>	<u>(1,412)</u>
Loss before income tax		(1,241)	(5,554)
Income tax (expenses)/credit	3	<u>(51)</u>	<u>366</u>
Loss for the period		<u>(1,292)</u>	<u>(5,188)</u>
(Loss)/profit for the period attributable to:			
Owners of the Company		(531)	(5,190)
Non-controlling interests		<u>(761)</u>	<u>2</u>
		<u>(1,292)</u>	<u>(5,188)</u>
			(Restated)
Loss per share (HK cents)	4		
– Basic		<u>(0.1)</u>	<u>(1.0)</u>
– Diluted		<u>(0.1)</u>	<u>(1.0)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)*For the three months ended 30 June 2022*

	For the three months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Loss for the period	<u>(1,292)</u>	<u>(5,188)</u>
Other comprehensive income:		
Item that may be subsequently reclassified to profit or loss:		
Exchange gain/(loss) arising from translation of financial statements of foreign operations	<u>827</u>	<u>(771)</u>
Total comprehensive loss for the period	<u>(465)</u>	<u>(5,959)</u>
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	674	(5,961)
Non-controlling interests	<u>(1,139)</u>	<u>2</u>
	<u>(465)</u>	<u>(5,959)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2022

	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 1.4.2021 (audited)	41,662	(390,475)	258,889	3,801	128	1,390	17	(84,588)	-	(84,588)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	(967)	(967)
Total 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>
At 1.4.2022 (audited)	41,662	(410,285)	258,889	3,801	(675)	1,390	17	(105,201)	(1,254)	(106,455)
Acquisition of additional interests in a subsidiary	-	(1,126)	-	-	-	-	-	(1,126)	1,126	-
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	379	379
Total comprehensive (loss)/income										
Loss for the period	-	(531)	-	-	-	-	-	(531)	(761)	(1,292)
Other comprehensive income/(loss):-										
Exchange gain/(loss) arising from translation of financial statements of foreign operations	-	-	-	-	1,205	-	-	1,205	(378)	827
Total comprehensive (loss)/income for the period	-	(531)	-	-	1,205	-	-	674	(1,139)	(465)
At 30.6.2022 (unaudited)	<u>41,662</u>	<u>(411,942)</u>	<u>258,889</u>	<u>3,801</u>	<u>530</u>	<u>1,390</u>	<u>17</u>	<u>(104,527)</u>	<u>(888)</u>	<u>(106,541)</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 GEM Listing Rules.

These unaudited condensed consolidated quarterly results should be read in conjunction with the consolidated financial statements for the year ended 31 March 2022, 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 2022 annual financial statements of the Group, 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 2022. 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\$90,742,000 and HK\$106,541,000 respectively as at 30 June 2022 as the Directors considered that:

- (1) Ms. Huang Li, being the sole beneficial owner and director of the ultimate holding company of the Group, will provide continuing financial support to the Group; and
- (2) On 14 June 2022, Mr. Tang Sing Ming Sherman, as a lender, who is also the sole beneficial owner of the convertible bonds issued by the Company, signed a memorandum of loans with a subsidiary of the Company, pursuant to which repayment date of a loan from Mr. Tang with an outstanding balance of approximately HK\$104,119,000 as at 14 June 2022 was extended (the “**Extension**”) from 22 June 2022 to 22 June 2023 (the “**Extended Loan**”). The Extended Loan bears the same term after the Extension. The rest of the loan from Mr. Tang is unsecured, interest-free and repayable on demand.

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 and sales of healthcare products, 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	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Revenue from customers and recognized at a point in time		
– Provision of food and beverage services and others	39,218	41,256
– Sales of healthcare products	64	–
	<u>39,282</u>	<u>41,256</u>

3. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	For the three months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax	81	–
Deferred tax	(30)	(366)
	<u>51</u>	<u>(366)</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 (2021: Hong Kong – 16.5% and PRC – 25% respectively) except for a Hong Kong subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

4. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$531,000 (2021: approximately HK\$5,190,000) and the weighted average number of ordinary shares of 520,771,875 (2021 (restated): ordinary shares of 520,771,875) in issue during the three months ended 30 June 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 the beginning of the corresponding prior period.

The computation of diluted loss per share (2021: 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 the three months ended 30 June 2022 and 2021.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend in respect of the three months ended 30 June 2022 (the “**Reporting Period**”) (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group’s unaudited revenue for the Reporting Period amounted to approximately HK\$39.3 million (2021: approximately HK\$41.3 million), representing a decrease of approximately 4.8% as compared to the corresponding period last year. Loss attributable to owners of the Company decreased to approximately HK\$0.5 million for the three months ended 30 June 2022 from approximately HK\$5.2 million recorded in the corresponding period last year.

Industry Overview

Despite the COVID-19 (“**COVID-19**” or “**pandemic**”) appearing to recede in most markets in the second quarter of 2022, the global economy faced further headwinds following a spike in geopolitical instability, particularly Russia’s invasion of Ukraine in February. Tighter financial conditions, coupled with persistently high inflation, have also exacerbated the slowdown. The latest Global Economic Prospects report published by the World Bank pointed out that global growth is expected to slump from 5.7% in 2021 to 2.9% in 2022, reflecting a cut of almost one-third from the 4.1% growth rate it had forecast in January.

The economy in China was also under pressure in the second quarter of 2022, with economic growth slowing sharply during the period, highlighting the colossal toll on activity of widespread COVID-19 lockdowns. The latest data released by China’s National Bureau of Statistics shows that gross domestic product (GDP) growth from April to June 2022 grew a paltry 0.4% from a year earlier, far behind market expectations. Not only was the figure much lower than the 4.8% growth rate in the first quarter of 2022, but it was also the slowest economic growth in mainland China since the pandemic began in early 2020.

In Hong Kong, the fifth wave of local COVID-19 infections and restrictive measures imposed on the restaurant industry dealt a heavy blow to a wide range of economic activity and consumer sentiment. Hong Kong’s economy saw a marked deterioration in the first quarter of 2022, with real GDP contracting by 4% year on year, according to the Hong Kong Special Administrative Region Government. The food and beverage sector remained one of the worst-affected industries during the second quarter of 2022. According to the city’s Census and Statistics Department (C&SD), revenue generated by the restaurant sector in the first quarter of 2022 was HK\$1.5 billion, down 23.1% from the same period of the previous year. Nevertheless, the sector is expected to recover gradually in the coming months amid support from easing measures rolled out by the Government that include the launch of a new round of the Consumption Voucher Scheme, a gradual relaxation of social distancing measures, and an easing local pandemic situation.

In addition, the latest Consumer Price Index (CPI) figures released by the C&SD also indicate an improvement in overall consumer prices, with an increase of 1.8% in June 2022 compared to the same month last year. Among the various components of the Composite CPI, year-on-year increases in prices were recorded in June 2022 in several segments, including basic food, at 4.8%, and meals out and takeaway food, at 3.5%. It is expected that higher food prices will continue to command public attention. According to the market research conducted by Statista, revenue in the bread and bakery products market is expected to total US\$3.52 billion in 2022, and the market is expected to record a compound annual growth rate (CAGR) of 2.59% from 2022 to 2027. Coupled with the containment of the latest COVID-19 wave and a rising vaccination rate, consumer markets such as the market for dining in are also expected to regain momentum.

The pandemic has had a profound impact on people's lives and spawned a new concept of healthy consumption. Demand for healthcare services and products is expanding at a rapid rate. Research conducted by Statista shows that revenue in the global healthcare market is projected to reach US\$18.63 billion in 2022, with most coming from China. The number of consumers in the healthcare market is expected to reach 380.1 million by 2025. Amid the rising disposable incomes and spending power of Chinese households, and a growing population, many Chinese parents are becoming increasingly concerned about the dental health of their children, boosting consumption in the healthcare market. According to Mordor Intelligence, China's oral care market is forecast to reach a CAGR of 9.8% between 2022 and 2027. The pandemic has led the general public to take note of and practice good personal hygiene, of which oral care is an important component. Increasing awareness of the importance of oral hygiene and dental hygiene, and growing instances of dental caries are the driving growth in the oral care product market.

Meanwhile, the e-cigarette industry is facing calls for bans around the globe. Numerous countries have started to regulate and even ban e-cigarettes. In Hong Kong, the Government has banned the importation and sale of alternative smoking products, including vaping and heat-not-burn products, since 30 April 2022. In mainland China, the China National Tobacco Corporation has not only released national standard GB 41700-2-22 for electronic cigarettes but also published further regulations detailing procedures and requirements for such issues as licensing, and technical reviews, which will put significant constraints on tobacco industry suppliers catering to the domestic market.

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. On the other hand, the food cost has been jumping since the third quarter of 2021. However, with the compliments for the encouragement, support and patience from our loyal customers and suppliers, and diligent staff, the Group's food and beverage business had a sustainable result in the Reporting Period.

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

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, both traditional and seasonal products are welcomed in the market. The result of this Reporting Period is encouraging, which gives great encouragement and confidence to the management for enlarging the network of Italian Tomato. By the addition of 1 café in the Reporting Period, there are 5 cafés and 30 cake shops in Hong Kong as at 30 June 2022. A recent study conducted by the management noted that the benefit from the resource deployed in shop operation is more worthwhile than in factory operation, the management therefore has an expansion plan on shop number which is now subject to the conclusion of tenancies. Meanwhile, the Group will investigate the feasibility of outsourcing partial manufacturing procedures in order for stringent cost control giving that Italian Tomato still provides good quality of cakes to our customers.

Ginza Bairin, the Japanese tonkatsu, has 1 shop in Hong Kong. With the unfailing support from a small but steady population of tonkatsu lover who is addicted to Ginza Bairin taste, Ginza Bairin therefore maintained a satisfactory result in this Reporting Period. In light of the shortage of labor supply, which is a serious problem in the food and beverage industry now, the management is trying all effort to ensure the quality of food and service provided by Ginza Bairin.

Amid rapidly changing lifestyles and rising demand for oral care products in China, and in order to diversify the Group's business risks and broaden its revenue streams, the Group has strategically allocated more resources to developing its healthcare business since 2021, with a special focus on oral care. Following the acquisition of a 70% stake in Huayin (Shenzhen) Biotechnology Co., Ltd. * (華胤(深圳)生物科技有限公司) (“**Huayin Biotechnology**”) during the year ended 31 March 2022, the Group further acquired the remaining 30% stake in April 2022, making Huayin Biotechnology now wholly owned by the Group and resulting in an increase in its shareholding of a subsidiary engaged in the production and sales of anti-inflammatory toothpaste as part of the Group's oral care business. The production of anti-inflammatory toothpaste was in full swing during the reporting period.

Mass outsourced production of the toothpaste was completed during the Reporting Period, with the first batch of product on store shelves while the Group kicked off production of a second batch. At the same time, the Group has commenced online marketing and sales following the successful establishment of an online presence on e-commerce platforms including WeChat Mall, JD.com, Douyin and Kuaishou. During the Reporting Period, online marketing of the toothpaste was launched, and the marketing campaign was divided into two phases: a construction period from April to May 2022 and a development stage from June to July 2022.

During the construction period, the Group completed a series of tasks including store positioning, product planning, store style set-up, initial promotion, brand and consumer loyalty cultivation, provision of customer service training for staff, and warehouse docking. The marketing campaign was entered into the development stage in June 2022, with the project team starting to integrate upstream and downstream resources in the industry chain, conducting precise marketing with the help of various marketing channels, setting up preferential packages and activity promotions, and optimizing promotion through drawing data traffic. The Group will continue its online and offline sales integration in order to attract customers and expand its customer base.

With regard to the e-cigarette business, in view of the continued tightening of regulations by the Chinese Government and legislative amendments to ban e-cigarettes in Hong Kong, the Group has adopted a pragmatic, prudent approach to closely monitor market conditions, reviewing the business segment from time to time for further adjustment of the business strategy. The Group's management will make every effort to ensure that the development of this business segment aligns with its principal strategies of revenue stream expansion and long-term growth.

Future Prospects

While COVID-19 vaccine uptake may mitigate public health problems and the economic consequences of future pandemics globally, new crises and challenges cast a shadow over the world economy in the second half of 2022. The International Monetary Fund is predicting a further downgrade to global growth in 2022 and 2023 due to rapid inflation and monetary tightening following the worsening human tragedy of the war in Ukraine. The global economic outlook appears set to deteriorate further.

In China, Reuters forecast that the country is expected to report full-year GDP growth at 4%, far short of Beijing's official target of approximately 5.5% for 2022. Although some cities in China have had to reinstate COVID-19 controls as new cases have spiked since June 2022, it is believed that Chinese Government will ease COVID-19 prevention measures gradually for a moderate recovery in the second half of the year. Hong Kong has cut its economic growth forecast for 2022, given that pandemic outbreaks have disrupted trade activity, and the city is facing higher interest rates and commodity prices. The economy is projected to expand in a range of 1% to 2% in 2022, compared with a previous prediction of 2% to 3.5%, according to Bloomberg.

Despite a weakened economic forecast, Hong Kong's food and beverage industry is expected to further recover in the near term, with an improvement in consumer sentiment following the easing of social distancing measures and quarantine restrictions, as well as additional support from the new round of the Consumption Voucher Scheme in August. In addition, the city is studying the possibility of quarantine-free travel in November 2022 with conditional requirements, and it is believed that local businesses will embrace a new wave of growing opportunities.

With the relaxation of restaurant dining-in, the Group redoubled its marketing efforts in the segment accordingly, with more launches of new promotions and offers to drive local traffic and spending in its physical stores. With respect to digital channels, apart from fostering cooperation with more third-party food-ordering platforms, the Group will continue to provide not only attractive promotional offers for recruiting new customers, but also attractive benefits for retaining existing premium members, in order to seize the opportunities presented by the new normal. Furthermore, the Group is investing additional resources in developing its membership scheme by enhancing its mobile app, with the aim of providing dedicated, convenient services to its customers. The Group will remain cautious in controlling operating costs and allocating resources, while strategically enhancing its market share through expanding its cake shop business in the city.

The healthcare market in China, the world's second-largest, is growing at astonishing speed, boosted mainly by factors such as a growing population, rapid urbanization, surging domestic and international investment in research and development, and Government support. The Chinese Government has pledged to build a healthy China in the next decade by approving the "Healthy China 2030" blueprint. It is expected that the size of the country's healthcare market will reach US\$2.3 trillion by 2030. In view of the growing focus on, and interest in, healthcare, especially dental care, the Group is leveraging its strengths to capitalize on opportunities to develop in this business arena. While the Group is spearheading the mass production of oral care products, it will continue to direct efforts and resources towards advertising and marketing online and offline, aiming to boost its market share and build brand reputation in the country. The Group is confident of its ability to expand its share of the healthcare market in the medium to long term.

Continuous efforts by the Chinese and Hong Kong Governments to regulate the tobacco and e-cigarette industries have led to a gloomy outlook for the sector. The Group will continue to monitor industry developments closely, review its business strategies with a prudent approach, nurture other businesses, and look for suitable growth opportunities in a timely manner.

FINANCIAL REVIEW

Consolidated results of operations

For the Reporting Period, the Group recorded revenue of approximately HK\$39.3 million (2021: approximately HK\$41.3 million), which decreased by approximately 4.8% compared with the corresponding period last 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, resulting in a sluggish atmosphere in the food and beverage industry, and a significant impact in the Group's business.

Loss attributable to owners of the Company was approximately HK\$0.5 million (2021: approximately HK\$5.2 million). Such decrease in loss was mainly due to the increase in other income as a sum of approximately HK\$3.7 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.

The gross profit margin of the Group was approximately 58.7% (2021: approximately 56.5%). Although competition in the food and beverage industry remained fierce, the Group successfully increased the gross profit margin during the Reporting Period through adjusting cake prices and exercising good cost control.

Total operating expenses decreased by approximately 2.4% to approximately HK\$27.4 million (2021: approximately HK\$28.1 million). The decrease in operating expenses as compared to the corresponding period last year was in line with the decrease in revenue and partially offset with increase in the operating expenses incurred by the Group in developing its healthcare business for the Reporting Period.

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

During the three months ended 30 June 2022, 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 2022, so far as the Directors were aware, none of the directors and the chief executives of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 2022, according to the register kept by the Company pursuant to section 336 of the SFO, so far as the Directors were aware, the following persons (other than the Directors whose interests are disclosed above) had, or were deemed or taken to have, an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept under section 336 of the SFO:

Long positions in shares

Name of shareholders	Capacity in which interests were held	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares	Approximate percentage of interest in issued capital (Note 4) %
Oceanic Fortress Holdings Limited (Note 1)	Beneficial owner	296,887,066	–	296,887,066	57.01
Ms. Huang Li (Note 1)	Interest of corporation controlled by Ms. Huang Li	296,887,066	–	296,887,066	57.01
Mr. Tang Sing Ming Sherman (Note 2)	Beneficial owner	–	71,428,571	71,428,571	13.72
Ms. Ho Ming Yee (Note 3)	Interest of a substantial shareholder's spouse	–	71,428,571	71,428,571	13.72

Notes:

- (1) The ordinary shares are held by Oceanic Fortress Holdings Limited, the entire issued shares of which 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 71,428,571 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 71,428,571 ordinary shares, representing approximately 13.72% of the issued share capital of the Company as at 30 June 2022.
- (3) Ms. Ho Ming Yee is the spouse of Mr. Tang Sing Ming Sherman, and is therefore deemed to be interested in the same number of shares of the Company held by Mr. Tang Sing Ming Sherman.
- (4) Based on 520,771,875 ordinary shares of the Company in issue as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, 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 2022 and 2021, there was no outstanding share option.

COMPETING INTERESTS

As at 30 June 2022, 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 2022, the Audit Committee had held one meeting and had reviewed the draft quarterly report and accounts for the three months ended 30 June 2022 prior to recommending such report and accounts to the Board for approval.

DIRECTORS’ SECURITIES TRANSACTIONS

Throughout the three months ended 30 June 2022, 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 2022.

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

Hong Kong, 10 August 2022

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 “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.

* *For identification purpose only*