

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 2020

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FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED 30 JUNE 2020

Consolidated revenue of the Company and its subsidiaries (collectively the “**Group**”) was approximately HK\$41.4 million for the three months ended 30 June 2020, representing a decrease of approximately 7.6% compared with approximately HK\$44.8 million recorded in the corresponding period last year.

Profit attributable to owners of the Company was approximately HK\$0.6 million for the three months ended 30 June 2020 while loss attributable to owners of the Company of approximately HK\$4.1 million was 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 2020, 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 2020

		For the three months ended 30 June	
	Note	2020 HK\$'000	2019 HK\$'000
Revenue	2	41,354	44,769
Cost of sales		<u>(15,970)</u>	<u>(16,260)</u>
Gross profit		25,384	28,509
Other income		4,334	1,074
Operating expenses		<u>(27,584)</u>	<u>(32,425)</u>
Operating profit/(loss)		2,134	(2,842)
Finance costs		<u>(1,433)</u>	<u>(1,589)</u>
Profit/(loss) before income tax		701	(4,431)
Income tax (expense)/credit	3	<u>(107)</u>	<u>177</u>
Profit/(loss) for the period		<u>594</u>	<u>(4,254)</u>
Profit/(loss) for the period attributable to:			
Owners of the Company		612	(4,147)
Non-controlling interests		<u>(18)</u>	<u>(107)</u>
		<u>594</u>	<u>(4,254)</u>
Profit/(loss) per share (HK cents)	4		
– Basic		<u>0.01</u>	<u>(0.10)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)*For the three months ended 30 June 2020*

	For the three months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period	<u>594</u>	<u>(4,254)</u>
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Exchange gain arising from translation of financial statements of foreign operations	<u>177</u>	<u>600</u>
Total comprehensive income/(loss) for the period	<u>771</u>	<u>(3,654)</u>
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	<u>790</u>	<u>(3,537)</u>
Non-controlling interests	<u>(19)</u>	<u>(117)</u>
	<u>771</u>	<u>(3,654)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2020

	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 1.4.2019 (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	-	(4,147)	-	-	-	-	-	(4,147)	(107)	(4,254)
Other comprehensive loss:										
Exchange gain/(loss) arising from translation of financial statements of foreign operations	-	-	-	-	610	-	-	610	(10)	600
Total comprehensive loss for the period	-	(4,147)	-	-	610	-	-	(3,537)	(117)	(3,654)
At 30.6.2019 (unaudited)	<u>41,662</u>	<u>(371,096)</u>	<u>258,889</u>	<u>3,801</u>	<u>(158)</u>	<u>1,390</u>	<u>(143)</u>	<u>(65,655)</u>	<u>(3,388)</u>	<u>(69,043)</u>
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>

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 2020, 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 2020 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 2020. 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 liabilities of approximately HK\$87,404,000 as at 30 June 2020 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 16 June 2020, 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\$123,387,000 as at 16 June 2020 was extended from 22 June 2020 to 22 June 2021.

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	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Revenue from customers and recognized at a point in time		
– Provision of food and beverage services and others	<u>41,354</u>	<u>44,769</u>

3. INCOME TAX (EXPENSE)/CREDIT

Taxation in the profit or loss represents:

	For the three months ended 30 June	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Current tax	61	111
Deferred tax	<u>46</u>	<u>(288)</u>
Income tax credit/(expense)	<u>107</u>	<u>(177)</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 (2019: Hong Kong – 16.5%, PRC – 25% and Taiwan – 17%).

4. PROFIT/(LOSS) PER SHARE

The calculation of basic profit per share is based on the profit attributable to owners of the Company of approximately HK\$612,000 (2019: loss of approximately HK\$4,147,000) and the weighted average number of ordinary shares of 4,166,175,000 (2019: 4,166,175,000 ordinary shares) in issue during the three months ended 30 June 2020.

Diluted profit/(loss) per share has not been disclosed as no dilutive potential equity shares in existence as at 30 June 2020 and 2019.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend in respect of the three months ended 30 June 2020 (the “**Reporting Period**”) (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group’s unaudited revenue for the Reporting Period amounted to approximately HK\$41.4 million (2019: approximately HK\$44.8 million), representing a decrease of approximately 7.6% as compared to the corresponding period last year. Profit attributable to owners of the Company was approximately HK\$0.6 million for the Reporting Period while a loss attributable to owners of the Company of approximately HK\$4.1 million was recorded in the corresponding period last year.

Industry Overview

With novel coronavirus (“**COVID-19**”) showing no sign of slowing down, the outbreak continued to depress global trade and production, bringing the global economy to a halt. There was a steep fall in global economic activities while unemployment rates rose sharply. Authorities around the world have been taking actions to combat the disease and support the economic recovery. Thanks to the implementation of monetary and fiscal policies and relief programs by worldwide governments, global markets see signs of stabilization and consumer behavior are gradually normalized, facilitating economic recovery.

In regard to domestic market, economic activities notably rebounded since March 2020. Thanks to the government policies including increasing infrastructure investment and easing of lockdown restrictions, China’s economy continued to witness gradual pick-up. The country recorded a 3.2% GDP growth in the second quarter of 2020, rebounding from a 6.8% contraction in the previous quarter. Data from the China Hotel Association revealed that an accelerated recovery has been observed in catering industry, whereas approximately 77% of restaurants resumed normal operations since March 2020. According to the National Bureau of Statistics, with the delivery service being increasingly popular in China, catering revenues generated from hotels and catering enterprises above a designated size through public network grew more than 20% year-on-year in May. These figures indicate that the catering industry in China has been steadily returning to normal.

During the Reporting Period, Hong Kong continued to face immense social and economic challenges, in particular, the catering industry was struck hard by the social gathering restrictions. According to a survey conducted in April 2020, takeaway order surged over 70% during the outbreak of COVID-19. Yet, overall catering revenue declined, while there were plenty of restaurant closures during the Reporting Period. According to Census and Statistics Department, the unemployment rate in catering industry reached 14.8% in the March-May 2020 period, highlighting the subdued market situation. Fortunately, Hong Kong government promptly introduced multi-pronged measures including Cash Payout Scheme and Employment Support Scheme, successfully stimulating local consumption and alleviating the stress faced by the industry stakeholders.

Regarding the e-cigarette sector, the COVID-19 outbreak forced factories to shut down, which put China’s cigarette industry under intense pressure. Furthermore, the U.S. Food and Drug Administration issued a ban on most flavored vaping products in early 2020, hampering e-cigarettes’ export market. While the online sales ban remarkably stopped the rising trend of tobacco consumption, more restrictions are expected to suppress the e-cigarette development.

Business Review

The world is now fighting against an invisible enemy “COVID-19”, the global economy is plummeting, food and beverage industry is the first industry being victimized by those anti COVID-19 measures. However, we do agree that the business market should concentrate on co-operation rather than competition in this critical period of time. Thank you for the encouragement, support and patience from our loyal customers and suppliers, and diligent staffs, with the aid from the government, the Group’s food and beverage business achieved a sustainable result for the Reporting Period.

During the Reporting Period, 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 and the Japanese curry specialty stores under the brand of Shirokuma Curry. The Group also has Enmaru, a brand of Japanese izakaya, on hands, however which is inactive during the Reporting Period.

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. After years of establishment and presence in Hong Kong, lessons and experience have been accumulated while weaknesses and strengths have been identified, the management planned to reposition the brand thoroughly, however the current social instability and the coronavirus pandemic slowdown the development speed. Nevertheless, we open 2 shops in this hard time which set off 2 closed shops due to the expiry of tenancy. There are 6 cafés and 21 cake shops in Hong Kong as at 30 June 2020.

Ginza Bairin, the Japanese tonkatsu, has 1 shop in Hong Kong as at 30 June 2020. During the Reporting Period, the management could expect that certain degree of adverse effect caused by COVID-19 to Ginza Bairin is unavoidable. However, the degree is still low.

Shirokuma Curry has been serving its unique taste of curry for a period of time, however, tremendous confidence, efforts and resources are still required for achieving a breakthrough. The management noted that under the coronavirus pandemic, people change their dining habit to take away food and food delivery, however, such change poses a risk to Shirokuma Curry because its unique taste of curry will be much better when dining in. As at 30 June 2020, Shirokuma Curry has 6 self-operated shops and 2 licensed shops in the PRC. Among the 6 self-operated shops, 3 long-established shops may have renovation in the coming quarter in response to the suggestion of landlords. On the other hand, 2 more locations in the mainland China have been identified for the opening of franchise shop, but the conclusion of franchise agreement depends on the potential franchisees’ market prediction.

Lastly and sadly, Enmaru, the Japanese izakaya, has become forgotten and the last Enmaru shop was closed in the second quarter of last financial year due to its unsatisfactory result. Considering the current business environment, the management believes that the re-opening chance is low.

In respect of the e-cigarettes business, in view of the Chinese government’s strengthening supervision policies on e-cigarettes, we 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.

In order to diversify the development strategies, expand the business portfolio and broaden the revenue base of the Group in view of the rising uncertainties of the food and beverage market brought by the social movements since June 2019 and outbreak of the COVID-19 epidemic since early 2020, we incorporated a new wholly-owned subsidiary in the PRC in late January 2020 to explore new business opportunities in the medical and healthcare industries to capture the increasing healthcare awareness and growing demand for medical service in China. We believe that it is high time to explore the business potentials in medical and healthcare industries, with the ultimate goal of enhancing the our core competitiveness, thus achieving better returns for our shareholders and investors.

Future Prospects

Weighed down by the resurgence of COVID-19, global economic recovery remains highly uncertain and is expected to be a drawn-out effort. According to the World Bank, the global economy is currently experiencing the deepest recession since 1945-1946, even more than twice as severe as the recession caused by global financial crisis during 2007-2009. Many governments upheld or re-enacted their lockdown measures to contain the spread of COVID-19, resulting in prolonged frozen business activities. Although numerous supporting schemes have been adopted to protect jobs by governments, unemployment rates are expected to remain elevated in 2020, leading to an increasingly gloomy economic outlook.

In China, according to the latest report issued by Nielsen, 86% of consumers prefer to dine at home more often. Demands for takeaway and food delivery services are also expected to surge, with 24% and 37% of consumers expressing their willingness to choose these two dining options upon the outbreak of COVID-19. A permanent change in consumer behavior is anticipated in China's catering market in future. Since catering demand has not been fully revitalized, the market expects a slight decline in the sector's revenue in the second half of 2020, while an escalated market integration is also predicted.

As for the local market, with the new Safeguarding National Security Law in place, Financial Secretary Mr. Paul Chan believed that the social unrest would quiet down in short term, thus supporting economic recovery in the fourth quarter of 2020. Meanwhile, Hong Kong government discussed with neighboring governments or regions, including Thailand, South Korea, Macau and Guangdong province to set up "travel bubble" program which rebuilds tourism links within the areas so as to stimulate tourism development. However, according to the report issued by Morgan Stanley, due to factors such as the resurgence of COVID-19 in Hong Kong, geopolitical tensions and the extension of travel restrictions, Hong Kong economy will continue to face a downside risk. The city's economy is expected to shrink by approximately 9.5% in 2020. The local catering market inevitably faces a highly challenging environment upon the tightening of social distancing measures since July.

In view of the challenging environment of the food and beverage sector, the Group will continue to review its business strategies, with an aim of improving its operational efficiency so as to maintain a steady business performance. China's aged population (aged 60 and above) is predicted to reach 409 million by 2035, representing a 28.5% of the country's total population. Along with ageing population, rising healthcare spending also supports the fast development of healthcare sector. In light of the rising demand for healthcare services, StarGlory Enterprise Management (Shenzhen) Company Limited ("**StarGlory Enterprise Management**"), the Group's indirect wholly-owned subsidiary, entered into a 3-year operational service agreement with Huayin (Shenzhen) Biotechnology Co., Ltd ("**Huayin Biotechnology**") in July 2020. Pursuant to which, StarGlory Enterprise Management will provide Huayin Biotechnology with management services and sales services. The agreement marks the Group's entry into China medical and healthcare industry. Meanwhile, the Group believes that its newly developed business is profitable, which in turn enhances the Group's profit portfolio.

FINANCIAL REVIEW

Consolidated results of operations

For the Reporting Period, the Group recorded revenue of approximately HK\$41.4 million (2019: approximately HK\$44.8 million), which decreased by approximately 7.6% compared with the corresponding period last year resulted from the closure of certain under-performing restaurants shops when leases expired and affected by the social gathering restrictions in relation to catering business as required by the government of Hong Kong as a result of COVID-19 epidemic.

Profit attributable to owners of the Company was approximately HK\$0.6 million (2019: loss of approximately HK\$4.1 million). Loss attributable to owners of the Company was substantially decreased and turned into a profit attributable to owners of the Company during the Reporting Period. This was mainly because (i) there is a decrease in the number of under-performing restaurants as the Group reviewed the performance of restaurants and consolidated under-performing restaurants to further enhance the structure and reduce unnecessary expenses since financial year ended 31 March 2020; and (ii) the Group received subsidies from the Anti-epidemic Fund from the government of the Hong Kong Special Administrative Region as recorded in other income in the sum of approximately HK\$3.7 million for the Group's business activities carried in Hong Kong during the Reporting Period.

The gross profit margin of the Group was approximately 61.4% (2019: approximately 64%). The decrease in ratio was mainly attributable to the increase in costs of food ingredients and offering discounts on takeaway meals in order to reduce the impact of COVID-19 outbreak on revenue.

Total operating expenses decreased by approximately 14.9% to approximately HK\$27.6 million (2019: approximately HK\$32.4 million). It was in line with the decrease of revenue and also resulted from the closure of certain under-performing restaurants which further enhance the structure and reduce unnecessary expenses.

EVENTS AFTER THE REPORTING PERIOD

COVID-19 epidemic

The recent outbreak of COVID-19 poses threats to the local economy and the development of such epidemic remains to be highly uncertain, the extent of its impact on the economy of Hong Kong and the PRC is subject to many uncertainties. The outbreak of COVID-19 has impacted the Group's business in Hong Kong and the PRC. The Group will closely monitor and actively react to the developments of COVID-19 to minimize its impacts on the Group's restaurants operations.

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

During the three months ended 30 June 2020, 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 2020, 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 2020, 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 %
Oceanic Fortress Holdings Limited <i>(Note 1)</i>	Beneficial owner	2,375,096,529	–	2,375,096,529	57.01
Ms. Huang Li <i>(Note 1)</i>	Interest of corporation controlled by Ms. Huang Li	2,375,096,529	–	2,375,096,529	57.01
Mr. Tang Sing Ming Sherman <i>(Note 2)</i>	Beneficial owner	–	571,428,571	571,428,571	13.72
Ms. Ho Ming Yee <i>(Note 3)</i>	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 2020.
- (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 2020.

Save as disclosed above, as at 30 June 2020, 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 2020 and 2019, there was no outstanding share option.

COMPETING INTERESTS

As at 30 June 2020, 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. Deng Guozhen and Mr. Zeng Shiquan.

Up to the date of approval of the Group’s unaudited results for the three months ended 30 June 2020, the Audit Committee had held one meeting and had reviewed the draft quarterly report and accounts for the three months ended 30 June 2020 prior to recommending such report and accounts to the Board for approval.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the three months ended 30 June 2020, 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 2020.

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

Hong Kong, 11 August 2020

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. Deng Guozhen 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.