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 2019

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

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FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED 30 JUNE 2019

Consolidated revenue of the Company and its subsidiaries (collectively the "**Group**") was approximately HK$44.8 million for the three months ended 30 June 2019, representing a decrease of approximately 33.4% compared with approximately HK$67.3 million recorded in the corresponding period last year.

Loss attributable to owners of the Company decreased to approximately HK$4.1 million for the three months ended 30 June 2019 from approximately HK$6.5 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 2019, 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 2019

		For the three months ended 30 June	
		2019	2018
	Note	***HK$'000***	*HK$'000*
Revenue	*2*	**44,769**	67,329
Cost of sales		**(16,260)**	(21,958)
Gross profit		**28,509**	45,371
Other income		**1,074**	489
Operating expenses		**(32,425)**	(51,153)
Operating loss		**(2,842)**	(5,293)
Finance costs		**(1,589)**	(1,635)
Loss before income tax		**(4,431)**	(6,928)
Income tax	*3*	**177**	181
Loss for the period		**(4,254)**	(6,747)
Loss for the period attributable to:			
Owners of the Company		**(4,147)**	(6,544)
Non-controlling interests		**(107)**	(203)
		(4,254)	(6,747)
Loss per share *(HK cents)*	*4*		
– Basic		**(0.10)**	(0.16)
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 30 June 2019

	For the three months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Loss for the period	**(4,254)**	(6,747)
Other comprehensive income:–		
Items that may be subsequently reclassified to profit or loss:–		
Exchange gain arising from translation of financial statements of foreign operations	**600**	101
Total comprehensive loss for the period	**(3,654)**	(6,646)
Total comprehensive loss for the period attributable to:–		
Owners of the Company	**(3,537)**	(6,424)
Non-controlling interests	**(117)**	(222)
	(3,654)	(6,646)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2019

	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 1.4.2018 (audited)	41,662	(291,033)	258,889	3,801	(1,403)	1,390	(143)	13,163	(2,418)	10,745
Comprehensive loss										
Loss for the period	–	(6,544)	–	–	–	–	–	(6,544)	(203)	(6,747)
Other comprehensive income:–										
Exchange gain/(loss) arising from translation of financial statements of foreign operations	–	–	–	–	120	–	–	120	(19)	101
Total comprehensive loss for the period	–	(6,544)	–	–	120	–	–	(6,424)	(222)	(6,646)
At 30.6.2018 (unaudited)	41,662	(297,577)	258,889	3,801	(1,283)	1,390	(143)	6,739	(2,640)	4,099
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)	**41,662**	**(371,096)**	**258,889**	**3,801**	**(158)**	**1,390**	**(143)**	**(65,655)**	**(3,388)**	**(69,043)**

Notes:

1. BASIS OF PREPARATION

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

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

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

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

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

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

HKFRS 16 "Leases"

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

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

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

As allowed by HKFRS 16, the Group has elected the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases, and has applied the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application, 1 April 2019. The Group has opted the modified retrospective approach for the adoption of HKFRS 16 on 1 April 2019 and recognized the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information will not be restated.

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

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

(b) Adoption of the going concern basis

When preparing the unaudited condensed consolidated quarterly results, the Group's ability to continue as a going concern has been assessed. These unaudited condensed consolidated quarterly results have been prepared by the Directors on a going concern basis notwithstanding that the Group incurred a loss of approximately HK$4,254,000 for the three months ended 30 June 2019 and as of that date, the Group had net liabilities of approximately HK$69,043,000 respectively 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 19 June 2019, the lender of other loans signed a memorandum of loans with a subsidiary of the Company (the "**Borrower**"), pursuant to which the repayment date of the outstanding other loans balance of approximately HK$124,059,000 as at 19 June 2019 was extended from 22 June 2019 to 22 June 2020.

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

2. REVENUE

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

	For the three months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Revenue from customers and recognized at a point in time		
– Provision of food and beverage services and others	**44,769**	67,329

3. INCOME TAX

Taxation in the profit or loss represents:

	For the three months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current tax	**111**	267
Deferred tax	**(288)**	(448)
	(177)	(181)

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

4. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK$4,147,000 (2018: approximately HK$6,544,000) and the weighted average number of ordinary shares of 4,166,175,000 (2018: 4,166,175,000 ordinary shares) in issue during the three months ended 30 June 2019.

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 30 June 2019 and 2018.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend in respect of the three months ended 30 June 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's unaudited revenue for the three months ended 30 June 2019 amounted to approximately HK$44.8 million (2018: approximately HK$67.3 million), representing a decrease of approximately 33.4% as compared to the corresponding period last year. Net loss attributable to owners of the Company decreased by approximately HK$2.4 million to approximately HK$4.1 million as compared to the corresponding period last year.

Industry Overview

During the three months ended 30 June 2019, with the uncertainties concerning the endgame of the China-the United States (the "**U.S.**") trade war persisting, coupled with trade disputes among other developed economies and the rising geopolitical tension in the Middle East, the market continued to feel unease towards the prospects of global economy. Although the leaders of China and the U.S. governments agreed to resume trade negotiations, many people believe it is unlikely the two economic powerhouses to reach a comprehensive trade agreement in the foreseeable future. Hence the global economic outlook remained gloomy, whereas the growing anxiety towards the further weakened market sentiment, thereby dampening both the food and beverage sector and the retail industry as a whole.

In regard to the domestic market, the mounting pressure and upheaval brought by the China-U.S. trade war undermined the Chinese economy as its growth slowed to 6.2% in the second quarter of 2019, the weakest rate over the past 27 years. To avert further damages brought by the trade war, the PRC government intended to reduce the economy's reliance on exports by doubling its efforts in boosting domestic consumption, which benefited the retail industry, including the food and beverage sector. According to the annual report on catering industry development of China (2019), income of the catering industry retained its growth momentum in recent years, and reached a new height at RMB4.27 trillion in 2018, thanks to the gradual increase in people's expenditure on food and beverage consumption. The rising purchasing power of Chinese people would facilitate further expansion of the food and beverage sector.

As regards local market, instable political situation made consumption sentiment to tumble further. With local consumption dwindling, the food and beverage sector showed a slackening performance in the last few months. In fact, the Consumer Confidence Index of Hong Kong for the second quarter of 2019 dropped by 10.5% to 77.7 as compared with the second quarter of 2018, the lowest level over the past five years. The falling consumer confidence was made evident that Hong Kong Federation of Restaurants & Related Trades Limited forecasted a 15% drop in consumer sentiment in the second half of 2019 as compared with the second quarter of 2018. The Federation also revealed that the turnover of the food and beverage sector and the retail industry declined by 10% to 25% in June 2019 as compared with June 2018.

Business Review

The “Extradition Bill” sparked off debates, quarrels and protests in Hong Kong, and the domestic consumption sentiment is damaged severely by this political turmoil during the three months ended 30 June 2019 (the “**Reporting Period**”). Encountering such unstable prospect, the management is very cautious about our marketing and development plan. The food and beverage industry remained competitive and challenging in the Reporting Period. Intense market competition because customers are price sensitive to sales discount and market promotions, and their preferences and consumption patterns are changing rapidly. Enduring challenges are four tremendous pressures arising from high costs of rental, labour, food and utilities; solving the problem of labour shortage is another daily difficulty. Amid this unfavorable business environment in recent years, we continue to strive for survival and growth, through strengthening our attractiveness to new and old customers and hence retaining loyal customers, by frequent menu revamping and consistent provision of quality food and services.

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

Italian Tomato, our major brand of restaurants, café and cake shops, is still a big contributor to the Group’s revenue. Through years of effort on product innovation, menu re-engineering and customer relationships, Italian Tomato has already been a well-recognized brand in Hong Kong. Although the result for the Reporting Period in Hong Kong was not very satisfactory, the management still believes Italian Tomato has a promising future. As at 30 June 2019, Italian Tomato has 26 cafés and shops in Hong Kong. The management believes that after years of establishment and presence in Hong Kong, the PRC and Taiwan, lessons and experience have been accumulated while weaknesses and strengths have been identified, Italian Tomato will reach a breakpoint to conduct a thorough brand repositioning.

Ginza Bairin, the Japanese tonkatsu, has 1 shop in Hong Kong and 1 shop in the PRC as at 30 June 2019. As the PRC shop’s tenancy is expiring soon, whether the PRC shop could be continued depends on whether the management could conclude the new tenancy with the landlord. Regarding franchise operation, Ginza Bairin has 1 franchise shop operated in the PRC as at 30 June 2019. On the other side of Taiwan Strait, considering the economy outlook of Taiwan and Ginza Bairin currently has no presence in this region, at the request of the franchisor of Ginza Bairin, the management has returned the franchising right of Taiwan to the franchisor in the Reporting Period.

Shirokuma Curry has been serving its unique taste of curry for a period of time, and the management noted that Shirokuma’s unique curry is quite welcomed in the Shanghai market. The management is now collecting feedback from customers and considering the ways to advance the taste, and in the meantime achieving the balance between quality and cost. As at 30 June 2019, Shirokuma Curry has 6 shops in the PRC. However, a shop in a large department store in Shanghai will be closed in late August 2019 due to the department store operator decided to close its operation and surrender the place back to the landlord. The management is now searching for a suitable place nearby the department store for Shirokuma Curry. Other than the self-operated shops, its franchise network has 4 licensed shops as at 30 June 2019, the management needs more concentration on its quality control as it will be a huge challenge to advance the franchise system. The history of Shirokuma Curry franchise operation is still short and needs times to growth.

Enmaru, the Japanese izakaya, aims to bring the most authentic Tokyo Enmaru experience to food lovers in Hong Kong and the PRC, however, shortage of Japanese staff is a long-term crucial problem to the growth of Enmaru. Enmaru has 1 shop in Hong Kong as at 30 June 2019. The management is reviewing the continuance of Hong Kong shop as its performance is unsatisfactory. Enmaru could regain its growth if an innovative dining ambiance is created to this brand and the shortage of Japanese staff is solved.

To capture business opportunities in e-cigarette industry, the Group continued its investment on expanding its China's e-cigarette business concurrent with the existing food and beverage business. To facilitate the business development of this new business sector, new equipment was added to the newly built Huizhou e-cigarette office. Meanwhile, the Group has been dedicated to developing e-cigarette liquid and e-cigarette cartridge with new ingredients through acquiring suitable e-cigarette production lines and setting up an extensive sales network, with a view to building a unique e-cigarette brand.

Future Prospects

While a temporary trade truce prevails between China and the U.S., regional economic and political tensions are expected to remain high around the world. From the worsening Japan-South Korea relations, and the escalating confrontation between the U.S. and Iran, to the lingering uncertainties over Brexit's path forward after Boris Johnson took the helm as the U.K. Prime Minister, such events will paint a bleak outlook for the global economy in the foreseeable future. In addition, the recent report of the National Bureau of Statistics of China stated that the GDP per capita of China in 2018 has surpassed that of middle-income countries, suggesting a huge room for domestic consumption growth. With the prevailing development trend of domestic food and beverage consumption, China is anticipated to overtake the U.S. as the largest catering market in the world by 2023.

In Hong Kong, without apparent sign that the current political deadlock can be resolved in the short term, the Group believes the widespread anxiety on the future development of Hong Kong deals a blow to consumer confidence. On the other hand, the Federation of Hong Kong Trade Unions in Tourism believes the social unrest will lead to reduction in number of tourists visiting Hong Kong by as much as 30%, leading to an even bleaker local economic outlook. As a result, the Group will remain prudent on any potential expansion plans and will pay closer attention to cost control, while continuing to refine its menu combination to appeal to customers. We are also devoted to offering more high-quality food and providing a pleasant dining experience. With that, we can consolidate our competitiveness in food and beverage business, as well as improve our operational efficiency and business performance.

The Group is optimistic about the development potential of the e-cigarette market in China. As the government is expected to introduce clear regulations on e-cigarette production within 2019, the Group believes that will reshape the existing e-cigarette market by removing unqualified producers, thus allowing leading companies to obtain greater market shares. Meanwhile, domestic e-cigarette production is expected to sustain its growth, with the number of e-cigarettes produced in 2019 reaching 2.89 billion. As the current penetration rate of e-cigarettes in China is less than 1%, there is a remarkable and untapped development potential in e-cigarette business.

The Group will continue to review its existing businesses and financial position, in order to determine the direction and plan for future development, expand income sources, and ultimately improve the Group's long-term competitiveness, thus creating value for shareholders and investors.

FINANCIAL REVIEW

Consolidated results of operations

For the three months ended 30 June 2019, the Group recorded revenue of approximately HK$44.8 million (2018: approximately HK$67.3 million), which decreased by approximately 33.4% compared with the corresponding period last year resulted from the closure of certain shops when leases expired.

Loss attributable to owners of the Company was approximately HK$4.1 million (2018: approximately HK$6.5 million).

The gross profit margin of the Group was approximately 64% (2018: approximately 67%).

Total operating expenses decreased by approximately 36.7% to approximately HK$32.4 million (2018: approximately HK$51.2 million) and was in line with the decrease of revenue.

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

During the three months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 30 June 2019, so far as the Directors were aware, none of the directors and the chief executives of the Company had any interest or short position in any shares, 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 2019, according to the register kept by the Company pursuant to section 336 of the SFO, so far as the Directors were aware, the following persons (other than the Directors 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 *(Note 1)*	Beneficial owner	2,335,586,529	–	2,335,586,529	56.06%
Ms. Huang Li *(Note 1)*	Interest of corporation controlled by Ms. Huang Li	2,335,586,529	–	2,335,586,529	56.06%
Mr. Tang Sing Ming Sherman *(Note 2)*	Beneficial owner	–	571,428,571	571,428,571	13.72%
Ms. Ho Ming Yee *(Note 3)*	Interest of a substantial shareholder's spouse	–	571,428,571	571,428,571	13.72%

Notes:

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

(2) Mr. Tang Sing Ming Sherman holds the convertible bonds in respect of the outstanding principal amount of HK$40,000,000, under which a total of 571,428,571 ordinary shares of the Company would be issued upon full exercise of the conversion rights attaching thereto. Upon full conversion of the convertible bonds, Mr. Tang Sing Ming Sherman would hold 571,428,571 ordinary shares, representing approximately 13.72% of the issued share capital of the Company as at 30 June 2019.

(3) Ms. Ho Ming Yee is the spouse of Mr. Tang Sing Ming Sherman, and is therefore deemed to be interested in the same number of shares 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 2019.

Save as disclosed above, as at 30 June 2019, 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 2019 and 2018, there was no outstanding share option.

COMPETING INTERESTS

As at 30 June 2019, 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 2019, the Audit Committee had held one meeting and had reviewed the draft quarterly report and accounts for the three months ended 30 June 2019 prior to recommending such report and accounts to the Board for approval.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the three months ended 30 June 2019, the Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Company's Directors complied with such required standard of dealings and its code of conduct regarding directors' securities transactions.

CORPORATE GOVERNANCE

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the three months ended 30 June 2019.

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

Hong Kong, 9 August 2019

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 http://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.starglory hcl.com.