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## **StarGlory Holdings Company Limited** **榮暉控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8213)**

### **CONTINUING CONNECTED TRANSACTION OPERATIONAL SERVICE AGREEMENT**

#### **THE OPERATIONAL SERVICE AGREEMENT**

Reference is made to the announcements (“**Announcements**”) of the Company dated 19 February 2020 and 5 March 2020 in relation to incorporation of a new subsidiary and commencement of new business.

The Board is pleased to announce that, on 13 July 2020 (after trading hours), StarGlory Enterprise Management, an indirect wholly-owned subsidiary of the Company, entered into the Operational Service Agreement with Huayin Biotechnology, pursuant to which StarGlory Enterprise Management agrees to, among other things, provide Huayin Biotechnology the Services, including the Management Services and the Sales Services, for a term of three years commencing on the signing date of the Operational Service Agreement to 12 July 2023 (both dates inclusive).

#### **IMPLICATIONS UNDER THE GEM LISTING RULES**

Since Mr. Li, (i) is not a director or chief executive of the Company and does not hold any shares in the Company, (ii) was a director of Sky Lable (an indirect wholly-owned subsidiary of the Company) until 30 December 2019 and (iii) is currently holding directorship in StarGlory Enterprise Management and Xinpengcheng Technology (both being indirect wholly owned subsidiaries of the Company), Mr. Li is therefore a connected person of the Company at the subsidiary level pursuant to Rule 20.07 of the GEM Listing Rules. As at the date of this announcement, Mr. Li is interested in 30% shareholding in Huayin Biotechnology. Pursuant to Rule 20.10(c), Huayin Biotechnology is an associate of Mr. Li and therefore a connected person of the Company at the subsidiary level. Accordingly, the transactions contemplated under the Operational Service Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Given (i) Huayin Biotechnology is a connected person of the Company at the subsidiary level; (ii) the Directors (including the independent non-executive Directors) have approved the Operational Service Agreement and the transactions contemplated thereunder; (iii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the Operational Service Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Operational Service Agreement and the transactions contemplated thereunder will constitute continuing connected transactions which are only subject to the reporting and announcement requirements, but are exempted from the circular, independent financial advice and shareholders’ approval requirements pursuant to Rule 20.99 of the GEM Listing Rules.

None of the Directors has any material interest in the Operational Service Agreement and the transactions contemplated thereunder, and none of the Directors has abstained from voting on the board resolution approving the Operational Service Agreement and the transactions contemplated thereunder.

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## PRINCIPAL TERMS OF THE OPERATIONAL SERVICE AGREEMENT

### Scope of the Services

Pursuant to the Operational Service Agreement, StarGlory Enterprise Management agrees to provide to Huayin Biotechnology the following services:

#### **(A) The Management Services**

- (a) **Strategic consultancy service:** StarGlory Enterprise Management will provide to Huayin Biotechnology guidance and advice on, amongst other things, (i) overall corporate strategy and implementation plans; (ii) marketing, customer relationship maintenance, customer network management and public relationship management; (iii) business and projects management; and (iv) market trends and related industrial information;
- (b) **Procurement service:** StarGlory Enterprise Management will mainly formulate procurement plans and issue procurement instructions based on the requirements of Huayin Biotechnology, manage suppliers and inventory, follow up purchase orders and evaluate the implementation of the aforementioned procurement decisions and propose improvement measures;
- (c) **Human resources service:** StarGlory Enterprise Management will be responsible for (i) organizational structure and human resources management services, (ii) establishing corporate compensation and benefits system, and (iii) providing consulting services related to internal management, such as personnel management and responsibility planning;
- (d) **Internal control service:** StarGlory Enterprise Management will formulate and improve internal management systems and internal control systems, as well as develop and improve internal risk management strategies and provide recommendations for internal control systems;
- (e) **Marketing and promotion service:** StarGlory Enterprise Management will (i) conduct market research based on the needs of Huayin Biotechnology, analyse market information and determine market trends, then provide solutions for improving the operating management of Huayin Biotechnology; (ii) formulate and implement marketing tactics and strategies, as well as conduct financial and risk analyses; (iii) formulate marketing and business development strategies and provide marketing guidance; and (iv) promote the products or brands of Huayin Biotechnology by using the resources and channels of StarGlory Enterprise Management;

- (f) **Customer relation management:** StarGlory Enterprise Management will, amongst other things, (i) communicate with the customers of Huayin Biotechnology in a timely and effective manner to establish good relationships with customers and maintain customer resources in order to prevent customer churn; (ii) understand customers' demands and provide feedback to Huayin Biotechnology in order to improve its products or services; and (iii) develop new customers for Huayin Biotechnology by taking advantage of its own customer resources.

**(B) The Sales Services**

Pursuant to the Operational Service Agreement, Huayin Biotechnology agrees that StarGlory Enterprise Management will be engaged in the promotion and sales of the products (the "**Products**") supplied by Huayin Biotechnology through the channels and sales network of StarGlory Enterprise Management. StarGlory Enterprise Management needs to bear the relevant expenses required for channel maintenance and external sales.

**Term of the Services**

Pursuant to the Operational Service Agreement, subject to early termination by the parties to the Operational Service Agreement in writing, the Operational Service Agreement shall have a term of three years commencing on the signing date of the Operational Service Agreement to 12 July 2023 (both dates inclusive).

Huayin Biotechnology and StarGlory Enterprise Management shall have the right to terminate the Operational Service Agreement by giving the other party written notice to that effect.

**Service Fee and Payment**

Pursuant to the Operational Service Agreement, in consideration of the provision of the Management Services and the Sales Services by StarGlory Enterprise Management, a monthly service fee (the "**Service Fee**") to be received by our Group shall be the monthly sales revenue of the Products attributable to provision of the Sales Services by StarGlory Enterprise Management multiplied by 30%.

The above calculation formula of the Service Fee is determined after arm's length negotiation between StarGlory Enterprise Management and Huayin Biotechnology based on the scope and cost of the Services to be provided under the Operational Service Agreement and the prevailing market price for similar or comparable services which StarGlory Enterprise Management would provide to independent third parties.

All sales revenue derived from sales of the Products by StarGlory Enterprise Management under the Sales Services shall be settled by StarGlory Enterprise Management and Huayin Biotechnology after deducting the Service Fee before the 20th day of each month for the previous month.

## PROPOSED ANNUAL CAPS

The Annual Caps for the Operational Service Agreement are set out as follows:

	<b>For the period commencing from 13 July 2020 to 31 March 2021</b>	<b>For the year ending 31 March 2022</b>	<b>For the year ending 31 March 2023</b>
	RMB	RMB	RMB
Annual Caps	100 million	200 million	300 million

The Annual Caps for the three years commencing from 13 July 2020 to 12 July 2023 are determined based on the anticipated sales revenue from sales of the Products under the Sales Services that may be recognised for the respective year/period.

Should the actual annual Service Fee exceed the Annual Caps, the Company will revise the annual caps in compliance with the relevant requirements under Chapter 20 of the GEM Listing Rules and inform the Shareholders whenever appropriate.

## INTERNAL CONTROL MEASURES

To ensure that the continuing connected transaction contemplated under the Operational Service Agreement are fair and reasonable and on normal commercial terms, the Company has adopted the following internal control procedures:

- (A) the management of the Company has discussed and assessed the terms and conditions and the pricing mechanism of the transactions contemplated under the Operational Service Agreement before entering into such transactions to ensure that they are on normal commercial terms;
- (B) the finance department of the Company will closely monitor the monthly Service Fee derived from provision of the Services to ensure that the transactions are carried out in accordance with the terms of the Operational Service Agreement and will not exceed the Annual Caps; and
- (C) the independent non-executive Directors and the auditors of the Company will conduct annual review of the transactions contemplated under the Operational Service Agreement and accept the supervision of the Shareholders.

The Company will ensure that the pricing mechanism and terms of the Operational Service Agreement are fair and reasonable and no less favourable than the terms provided by any independent third party, so as to ensure that they serve the interests of the Company and its shareholders as a whole.

## **INFORMATION ON THE PARTIES**

StarGlory Enterprise Management is a company incorporated in the PRC with limited liability and is principally engaged in provision of medical and healthcare related services and equipment. As at the date of this announcement, StarGlory Enterprise Management is an indirect wholly-owned subsidiary of the Company.

Huayin Biotechnology is a company incorporated in the PRC with limited liability and is principally engaged in the business of biotechnology research and technical consulting, technology development and retail of biological products. As at the date of this announcement, save that Mr. Li is a connected person of the Company at the subsidiary level, all other ultimate beneficial owners of Huayin Biotechnology are Independent Third Parties.

## **REASONS FOR ENTERING INTO THE OPERATIONAL SERVICE AGREEMENT**

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 recent outbreak of the novel coronavirus epidemic, StarGlory Enterprise Management was incorporated by the Group as a wholly-owned subsidiary of the Company to explore the business potentials in medical and healthcare industries. Huayin Biotechnology, a company principally engaged in the business of biotechnology research and technical consulting, technology development and retail of biological products in the PRC, possesses extensive expertise in the domestic biotechnology industry. By providing the Services to Huayin Biotechnology and in turn leveraging the expertise of Huayin Biotechnology in relation to the biotechnology sector, StarGlory Enterprise Management will be able to establish its brand image and recognition in the domestic biotechnology industry. The Group believes that entering into the Operational Service Agreement is in line with the Group's expansion strategy and would be beneficial to broaden its revenue base and strengthen its long-term competitiveness and development potentials under the current challenging operating environment.

In light of the above, the Directors (including all the independent non-executive Directors) consider that the Annual Caps have been determined on an arm's length basis and the transactions contemplated under the Operational Service Agreement were entered into: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms (on arm's length basis) or on terms no less favourable than those terms offered by independent parties to the Group for similar products and services in its ordinary and usual course of business; and (iii) that the terms of the Operational Service Agreement are fair and reasonable. The Directors (including all the independent non-executive Directors) are of the view that the transactions contemplated under the Operational Service Agreement are in the interests of the Company and the Shareholders as a whole.

## IMPLICATIONS UNDER THE GEM LISTING RULES

Since Mr. Li, (i) is not a director or chief executive of the Company and does not hold any shares in the Company, (ii) was a director of Sky Lable (an indirect wholly-owned subsidiary of the Company) until 30 December 2019 and (iii) is currently holding directorship in StarGlory Enterprise Management and Xinpengcheng Technology (both being indirect wholly owned subsidiaries of the Company), Mr. Li is therefore a connected person of the Company at the subsidiary level pursuant to Rule 20.07 of the GEM Listing Rules. As at the date of this announcement, Mr. Li is interested in 30% shareholding in Huayin Biotechnology. Pursuant to Rule 20.10(c), Huayin Biotechnology is an associate of Mr. Li and are therefore a connected person of the Company at the subsidiary level. Accordingly, the transactions contemplated under the Operational Service Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Given (i) Huayin Biotechnology is a connected person of the Company at the subsidiary level; (ii) the Directors (including the independent non-executive Directors) have approved the Operational Service Agreement and the transactions contemplated thereunder; (iii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the Operational Service Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Operational Service Agreement and the transactions contemplated thereunder will constitute continuing connected transactions which are only subject to the reporting and announcement requirements, but are exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 20.99 of the GEM Listing Rules.

None of the Directors has any material interest in the Operational Service Agreement and the transactions contemplated thereunder, and none of the Directors has abstained from voting on the board resolution approving the Operational Service Agreement and the transactions contemplated thereunder.

## DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“Annual Caps”	annual caps in respect of the service fee to be paid for provision of the Services by StarGlory Enterprise Management
“associate”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“Company”	StarGlory Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM of the Stock Exchange (stock code: 8213)
“connected person(s)”	has the same meaning as ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company, from time to time

“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange in effect from time to time
“Group”	the Company and its subsidiaries
“Huayin Biotechnology”	Huayin (Shenzhen) Biotechnology Co., Ltd* (華胤(深圳)生物技術有限公司), a company incorporated in the PRC with limited liability, which is owned as to 30% by Mr. Li as at the date of this announcement and a connected person of the Company at the subsidiary level
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, not connected with the Company and the connected person(s) (as defined in the GEM Listing Rules) of the Company
“Management Services”	the management services provided by StarGlory Enterprise Management to Huayin Biotechnology pursuant to the Operational Service Agreement, details of which are set out in the paragraph headed “Principle Terms of the Operational Service Agreement – Scope of the Services – (A) The Management Services” to this announcement
“Mr. Li”	Mr. Li Hongchen (李鴻晨), a connected person of the Company at the subsidiary level, who is interested in 30% shareholding in Huayin Biotechnology as at the date of this announcement
“Operational Service Agreement”	the operational service agreement dated 13 July 2020 entered into between Huayin Biotechnology and StarGlory Enterprise Management
“PRC”	the People’s Republic of China, and for the purpose of this announcement excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Sales Services”	the sales services provided by StarGlory Enterprise Management to Huayin Biotechnology pursuant to the Operational Service Agreement, details of which are set out in the paragraph headed “Principle Terms of the Operational Service Agreement – Scope of the Services – (B) The Sales Services” to this announcement
“Services”	services to be provided by StarGlory Enterprise Management to Huayin Biotechnology pursuant to the Operational Service Agreement which include the Management Services and the Sales Services

“Shareholder(s)”	the shareholder(s) of the Company
“Sky Label”	Sky Label Holdings Limited (天寶集團有限公司), a company incorporated in Hong Kong, which is an indirect wholly-owned subsidiary of the Company and the holding company of StarGlory Enterprise Management and Xinpengcheng Technology as at the date of this announcement
“StarGlory Enterprise Management”	StarGlory Enterprise Management (Shenzhen) Company Limited* (榮暉企業管理(深圳)有限公司), a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xinpengcheng Technology”	Huizhou Daya Bay District Xinpengcheng Technology Development Co., Ltd.* (惠州市大亞灣區新鵬城科技發展有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“%”	percentage
* <i>for identification purposes only</i>	

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

Hong Kong, 13 July 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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and the website of the Company at [www.stargloryhcl.com](http://www.stargloryhcl.com).*