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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)

DISCLOSEABLE TRANSACTION
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
THE TARGET

THE DISPOSAL

The Board announces that on 23 September 2020 (after trading hours), the Agreement was entered into between the Seller (a wholly-owned subsidiary of the Company) and the Purchaser, which is the licensor of the Target Group's business, Shirokuma Curry, pursuant to which the Seller has agreed to conditionally dispose of and the Purchaser has agreed to conditionally purchase (i) the Sale Share, representing the entire issued share capital of the Target; and (ii) the Shareholder's Loan at an aggregate consideration of JPY45,000,000 (equivalent to approximately HK\$3,330,000).

IMPLICATIONS OF THE GEM LISTING RULES

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in relation to the Disposal are more than 5% but all of such ratios are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

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THE AGREEMENT

The principal terms of the Agreement are set out below:

Date

23 September 2020

Parties

- (1) The Seller (as seller); and
- (2) The Purchaser (as purchaser);

To the best knowledge, information and belief of the Director having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owner(s) are independent third parties not connected with the Company and its connected persons as defined under the GEM Listing Rules.

Assets to be disposed of

Pursuant to the Agreement, the Seller has agreed to conditionally disposal of, and the Purchaser has agreed to conditionally purchase (i) the Sale Share and (ii) the Shareholder's Loan, subject to the terms contained therein.

Upon completion of the Disposal, the Seller and the Group will cease to hold any interest in the Target Group.

Consideration

The aggregate consideration of the Sale Share and the Shareholder's Loan is JPY45,000,000 (equivalent to approximately HK\$3,330,000).

The aggregate consideration of the Sale Share and the Shareholder's Loan shall be payable by the Purchaser by way of telegraphic transfer (or in such other manner as both the Purchaser and the Seller may agree) within three business days after the Completion.

The aggregate consideration of the Sale Share and the Shareholder's Loan was determined after arm's length negotiations between the Seller and the Purchaser and on normal commercial terms after taking into consideration of (i) the initial amount of capital contribution to the Target Group made by the Seller; (ii) the historical and existing operating results of the Target Group; (iii) the business development and future prospects of the Target Group; (iv) unaudited financial position of the Target Group as at 31 July 2020; (v) the impact of the outbreak of COVID-19; (vi) much effort and resources may be required for achieving a breakthrough or even making profit in the Target Group's business; (vii) there is slim chance that the Target Group would be able to turn loss into profit in the short run; (viii) the upcoming expiry of the initial term of the license agreement under which the subsidiaries of the Target have been granted the exclusive rights to run Shirokuma Curry in Asia (excluding Japan); (ix) the net assets value of the Target Group (i.e., approximately HK\$1.5 million, excluding the Shareholder's Loan); and (x) the reasons for the Disposal as described under the section headed "Reasons and Benefits of the Disposal" below.

Conditions Precedent

Completion is conditional upon the satisfaction of the following Conditions unless otherwise waived by the Purchaser (where applicable):

- (a) all applicable legal requirements, rules and regulations, including but not limited to the GEM Listing Rules in connection with the terms of this Agreement and for the sale and purchase of the Sale Share and the Shareholder's Loan having been duly complied with by the Seller; and
- (b) the Purchaser undertaking a legal, financial, operational, tax, accounting and business due diligence review in respect of the Target Group and being satisfied with such review in all respects.

The Purchaser shall be entitled to waive the Condition (b) above on or before the date of Completion by issuing a written notice to the Seller.

If any of the Conditions is not fulfilled by the Long Stop Date, the Seller and the Purchaser agree that the Agreement will lapse, and become null and void and the Seller and the Purchaser will be released from all obligations thereunder, save for the liabilities of any antecedent breaches thereof.

Completion

The Completion shall take place within five Business Days following satisfaction or waiver of the Conditions when all (but not some only) of the events described above shall occur.

INFORMATION OF THE GROUP, THE SELLER AND THE PURCHASER

The Group is principally engaged in the food and beverage business.

The Seller is a company incorporated in BVI with limited liability and is an investment holding company.

The Purchaser is a company incorporated in Japan, and is principally engaged in the provision of food and beverage services. The Purchaser is the licensor of subsidiaries of the Target. The Purchaser and a subsidiary of the Target entered into license agreement on 6 October 2011, pursuant to which the Purchaser, as the licensor, granted, amongst other things, the exclusive rights to the subsidiaries of the Target to operate the business under the trade name of “Shirokuma Curry” in Asia (excluding Japan) for an initial term of 10 years from the date of signing of the license agreement. The ultimate beneficial owner of the Purchaser is Ms. Yukiko KANEKO.

INFORMATION OF THE TARGET GROUP

The Target is a company incorporated in BVI with limited liability and is an investment holding company. The Target Group is principally engaged in the operation of Shirokuma Curry under the trade name of “Shirokuma Curry” in the PRC. The Target Group owns 6 direct shops and 3 franchised shops in the PRC as of the date of this announcement.

As at 31 July 2020, based on the unaudited and consolidated management accounts of the Target Group, (i) the book value of the net liabilities was approximately HK\$20.0 million and (ii) the book value of the net assets was approximately HK\$1.5 million after excluding the Shareholder’s Loan. Set out below is a summary of certain unaudited financial information of the Target Group for the two years ended 31 March 2020 and for the four months ended 31 July 2020:

	For the year ended 31 March		For the four months ended
	2019	2020	31 July
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>2020</i> <i>HK\$’000</i>
Revenue	38,100	25,399	6,361
Net profit/(loss) before tax	(1,363)	587	(983)
Net profit/(loss) after tax	(1,773)	274	(983)

Based on the information available, the Company expects to recognise an unaudited gain of approximately HK\$1.9 million from the Disposal in its consolidated financial statements, being the difference between (i) the aggregate consideration and (ii) the aggregate of the unaudited consolidated net assets value of the Target Group of appropriately HK\$1.5 million (excluding the Shareholder's Loans) attributable to the Seller at the Completion and taking into account the estimated expenses to be incurred for the Disposal. The Directors expect that the net proceeds from the Disposal will be used as general working capital of the Company.

REASONS AND BENEFITS OF THE DISPOSAL

The food and beverages services provided by the Target Group is the operation of Japanese curry restaurants under the trade name of Shirokuma Curry in the PRC. The Company noticed that the business from the Japanese curry restaurants under the trade name of Shirokuma Curry operated by the Target Group suffered a net loss for the financial year ended 31 March 2019, and their operating results had further deteriorated since the first quarter of 2020 due to the outbreak of COVID-19. The outbreak of COVID-19 has brought certain disruptions to the food and beverages industry, and has changed people's dining habit to take away food and food delivery. This has brought difficulties to the Target Group and resulted in the decline of business, as the food served by the restaurants of the Target Group tastes better when dining in. Besides the upcoming expiry of the initial term of the lease agreement, we expect much effort and resources may be required for achieving a breakthrough or even making profit in the Target Group's business in the short run.

It has always been the Company's business strategy to closely monitor the market conditions and operational performance of each café and restaurants and make appropriate business decisions and adjustments regarding the branch structure in order to optimise the food and beverage business. If appropriate the Group will close down or sell certain under-performing café and/or restaurant in an attempt to reduce unnecessary expenses and to create greater value for the Company and the Shareholders.

The Board is of the view that the Disposal will (i) provide an opportunity for the Company to realise its investment; and (ii) strengthen the liquidity and overall financial position of the Group.

Having taken into account the above reasons and benefits, the Directors (including the independent non-executive Directors) consider that the Disposal and the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE GEM LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

As the date of Completion is subject to the satisfaction and/or waiver, where applicable, of the Conditions, the Disposal may or may not proceed to the date of Completion. Shareholders and potential investors of the Company should exercise caution when dealing in the shares or any securities of the Company.

DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 23 September 2020 entered into between the Seller and the Purchaser relating to the sale and purchase of the Sale Share and assignment of the Shareholder’s Loan
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, a Sunday, a public holiday, a day which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Company”	StarGlory Holdings Company Limited (stock code: 8213), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on GEM
“Completion”	completion of the sale and purchase of the Sale Share and the assignment of the Shareholder’s Loan
“Conditions”	the conditions stated under the paragraph headed “Conditions Precedent”

“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of Sale Share and the Shareholder’s Loan by the Seller to the Purchaser pursuant to the terms and conditions of the Agreement
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“JPY”	Japanese Yen, the lawful currency of Japan
“Longstop Date”	31 October 2020 or such other date as the Seller and the Purchaser may agree in writing
“percentage ratios”	has the meaning ascribed to it under the GEM Listing Rules
“Purchaser”	Shirokuma & Co., a company incorporated in the Japan
“Sale Share”	one issued share of the Target, representing the entire issued share capital of the Target
“Seller”	Marvel Success Limited, a company incorporated in BVI and a wholly-owned subsidiary of the Company
“Shareholder(s)”	shareholders of the Company
“Shareholder’s Loan”	HK\$21,445,910.74, being the total book value of the shareholder’s loan due to the Seller by the Target
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary”	has the meaning ascribed to it under the GEM Listing Rules
“Target”	Townsmen Limited, a company incorporated in BVI, being the holding company of the subsidiaries of the Target Group
“Target Group”	the Target and its subsidiaries

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

* *For illustration purposes, amounts in JPY in this announcement have been translated into HK\$ at JPY1.00 = HK\$0.074.*

Hong Kong, 23 September 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 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.