STARLITE

HOLDINGS LIMITED

星光集團有限公司*

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

STOCK CODE 股份代號: 403

Website : http://www.hkstarlite.com

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2020

The Directors of Starlite Holdings Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31st March, 2020 together with the comparative figures for the previous year, as follows:

Consolidated Income Statement

For the year ended 31st March, 2020

	Note	**2020**	2019
		HK$'000	HK$'000
Revenue	4	**1,135,902**	1,430,998
Cost of sales		**(904,422)**	(1,183,088)
Gross profit		**231,480**	247,910
Other income and gains - net	5	**19,068**	2,510
Selling and distribution costs		**(63,671)**	(81,488)
General and administrative expenses		**(161,540)**	(177,653)
Net impairment gains/(losses) on financial assets		**1,719**	(5,785)
Operating profit/(loss)	6	**27,056**	(14,506)

**For identification purpose only.*

Consolidated Income Statement (Continued)
For the year ended 31st March, 2020

	Note	**2020**	2019
		HK$'000	HK$'000
Finance income		**510**	721
Finance costs		**(8,361)**	(10,563)
Finance costs – net	7	**(7,851)**	(9,842)
Profit/(loss) before income tax		**19,205**	(24,348)
Income tax expense	8	**(10,706)**	(13,577)
Profit/(loss) for the year attributable to the owners of the Company		**8,499**	(37,925)
Earnings/(losses) per share attributable to the owners of the Company for the year			
(expressed in HK cents per share)	9		
- Basic		**1.62**	(7.22)
- Diluted		**1.62**	(7.22)

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2020

	2020	2019
	HK$'000	HK$'000
Profit/(loss) for the year	**8,499**	(37,925)
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(27,932)**	(26,387)
Items that will not be reclassified to profit or loss		
(Decrease)/increase in fair value of equity investments at fair value through other comprehensive income	**(587)**	115
Other comprehensive loss for the year, net of tax	**(28,519)**	(26,272)
Total comprehensive loss for the year attributable to the owners of the Company	**(20,020)**	(64,197)

Consolidated Statement of Financial Position

As at 31st March, 2020

	Note	**Audited As at 31st March, 2020 HK$'000**	Audited As at 31st March, 2019 HK$'000
ASSETS			
Non-current assets			
Land use rights		**-**	20,491
Property, plant and equipment		**289,832**	337,117
Right-of-use assets		**32,697**	-
Prepayments for non-current assets		**1,511**	2,149
Deposit		**549**	-
Deferred income tax assets		**1,604**	4,152
Financial assets at fair value through other comprehensive income		**1,418**	2,005
Financial assets at fair value through profit or loss		**13,335**	13,137
		340,946	379,051
Current assets			
Inventories		**107,089**	127,278
Trade receivables	11	**154,522**	214,666
Prepayments and deposits		**21,459**	29,278
Tax recoverable		**1,153**	85
Bank deposits with maturity over 3 months from date of deposits		**201**	15,950
Cash and cash equivalents		**232,199**	249,982
		516,623	637,239
Total assets		**857,569**	1,016,290
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**52,514**	52,514
Reserves	13	**396,077**	416,097
Total equity		**448,591**	468,611
LIABILITIES			
Non-current liabilities			
Borrowings		**9,167**	-
Deferred revenue		**604**	861
Lease liabilities		**2,458**	-
Deferred income tax liabilities		**5,436**	6,422
		17,665	7,283
Current liabilities			
Trade and bill payables	12	**84,752**	128,894
Accruals and other payables		**155,098**	169,015
Contract liabilities		**4,646**	1,765
Current income tax liabilities		**28,866**	26,416
Borrowings		**113,079**	214,091
Lease liabilities		**4,671**	-
Deferred revenue		**201**	215
		391,313	540,396
Total liabilities		**408,978**	547,679
Total equity and liabilities		**857,569**	1,016,290

Notes:

1 General information

Starlite Holdings Limited (the "Company") is an investment holding company. Its subsidiaries are principally engaged in the printing and manufacturing of packaging materials, labels and paper products, including environmentally friendly paper products.

The Company was incorporated in Bermuda on 3rd November, 1992, as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business is 3/F, Perfect Industrial Building, 31 Tai Yau Street, Sanpokong, Kowloon, Hong Kong. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited since 1993.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2. Basis of preparation (Continued)

(a) New standards, interpretation and amendments to existing standards adopted by the Group

The following new standards, interpretation and amendments to existing standards have been adopted by the Group for the first time for the financial year beginning 1st April, 2019:

Annual improvements project	Annual Improvements to HKFRSs 2015 – 2017 cycle
HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HKFRIC – Int 23	Uncertainty over Income Tax Treatments

The Group had to change its accounting policies as a result of adopting HKFRS 16, details of which are disclosed in Note 3 below. Apart from the aforementioned HKFRS 16, there are no other new standards, interpretation, and amendments to existing standards that are effective for the first time for this reporting period that could be expected to have a material impact on the Group.

2. Basis of preparation (Continued)

(b) New standards, amendments to existing standards and revised conceptual framework have been issued but not effective and have not been early adopted by the Group

A number of new standards, amendments to existing standards and revised conceptual framework have been issued but not effective for annual periods beginning on 1st April, 2019 and have not been applied in preparing these consolidated financial statements.

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1st January, 2020
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge accounting	1st January, 2020
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
HKFRS 3 (Amendment)	Definition of a Business	1st January, 2020
HKFRS 17	Insurance Contracts	1st January, 2021
Conceptual Framework for financial reporting 2018	Revised Conceptual Framework for Financial Reporting	1st January, 2020

The Group will adopt the new standards, amendments to existing standards and revised conceptual framework when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new standards, amendments to existing standards and revised conceptual framework, none of which is expected to have a significant effect on the consolidated financial statements of the Group.

3. Changes in accounting policies

The note explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s consolidated financial statements.

As indicated in Note 2 (a) above, the Group has adopted HKFRS 16 retrospectively from 1st April, 2019, but has not restated comparatives for the 2019 reporting period, as permitted under specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new HKFRS 16 are therefore recognised in the opening consolidated statement of financial position on 1st April, 2019. The new accounting policies that have been applied from 1st April, 2019.

3. Changes in accounting policies (Continued)

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17, “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as at 1st April, 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1st April, 2019 ranged from 3.5% to 4.71%.

Land use rights and leasehold land previously presented as a separate item and included in property, plant and equipment, respectively, on the consolidated statement of financial position are reclassified as right-of-use assets with effect from 1st April, 2019.

(a) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1st April, 2019 as short-term leases;
- exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”.

3. Changes in accounting policies (Continued)

(b) Measurement of lease liabilities

	2019
	HK$'000
Operating lease commitments disclosed as at 31st March, 2019	5,526
Discounted using the lessee's incremental borrowing rate at the date of initial application	5,312
Less: short-term leases recognised on a straight-line basis as expense	(3,927)
Add : adjustments as a result of a different treatment of extension and termination options	2,930
Lease liabilities recognised as at 1st April, 2019	4,315
Of which are:	
Current lease liabilities	1,317
Non-current lease liabilities	2,998
	4,315

(c) Measurement of right-of-use assets

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31st March, 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	As at 1st April, 2019
	HK$'000
Buildings	4,315
Land use rights	20,491
Leasehold land	7,754
	32,560

3. Changes in accounting policies (Continued)

(d) Adjustments recognised in the consolidated statement of financial position on adoption on 1st April, 2019

The change in accounting policies affected the following items in the consolidated statement of financial position on 1st April, 2019:

Consolidated statement of financial position (Extract)	**As at 31st March, 2019 As originally presented**	**Effect of the adoption of HKFRS 16**	**As at 1st April, 2019**
	HK$'000	HK$'000	HK$'000
Non-current assets			
Land use right	20,491	(20,491)	-
Property, plant and equipment	337,117	(7,754)	329,363
Right-of-use asset	-	32,560	32,560
Current liabilities			
Lease liabilities	-	1,317	1,317
Non-current liabilities			
Lease liabilities	-	2,998	2,998

4. Revenue and segment information

(a) Analysis of revenue by category:

	2020	2019
	HK$'000	HK$'000
At a point in time		
Sales of packaging materials, labels and paper products, including environmental friendly paper products	**1,115,919**	1,400,167
Others	**19,983**	30,831
	1,135,902	1,430,998

(b) Segment information

The chief operating decision-maker (the "CODM") of the Group has been identified as the Chairman/Chief Executive Officer of the Company. Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The CODM of the Company reviews the Group's internal reporting in order to assess performance and allocate resources. Management has reported the results of the operating segments based on these reports.

The CODM of the Company considers the business from a geographical perspective, i.e. determined by the location of major factory plants including Southern China, Eastern China and South East Asia, and assesses performance based on revenue, operating profit/(loss), profit/(loss) for the year, capital expenditure, assets and liabilities.

4. Revenue and segment information (Continued)

(b) Segment information (Continued)

(i) The segment results for the year ended 31st March, 2020 and 2019 are as follows:

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
Year ended 31st March, 2020				
Segment revenue	862,649	246,402	144,158	1,253,209
Inter-segment revenue	(5,762)	(111,545)	-	(117,307)
Revenue from external customers at a point in time	856,887	134,857	144,158	1,135,902
Operating profit/(loss)	40,650	5,022	(18,616)	27,056
Finance income	325	164	21	510
Finance costs	(6,504)	(1,560)	(297)	(8,361)
Income tax expense	(9,091)	-	(1,615)	(10,706)
Profit/(loss) for the year	25,380	3,626	(20,507)	8,499
Other information :				
Additions to property, plant and equipment	17,130	6,839	2,427	26,396
Depreciation and amortisation	27,799	12,350	12,582	52,731
Capital expenditure	17,124	6,461	2,173	25,758
Year ended 31st March, 2019				
Segment revenue	1,154,737	261,657	141,838	1,558,232
Inter-segment revenue	(17,769)	(109,465)	-	(127,234)
Revenue from external customers at a point in time	1,136,968	152,192	141,838	1,430,998
Operating profit/(loss)	21,509	(22,204)	(13,811)	(14,506)
Finance income	481	210	30	721
Finance costs	(9,047)	(1,516)	-	(10,563)
Income tax (expense)/credit	(15,770)	(62)	2,255	(13,577)
Loss for the year	(2,827)	(23,572)	(11,526)	(37,925)
Other information :				
Additions to property, plant and equipment	21,186	32,121	6,263	59,570
Depreciation and amortisation	31,708	13,671	8,539	53,918
Capital expenditure	20,360	29,145	5,789	55,294
Provision for impairment of property, plant and equipment	-	10,000	-	10,000

4. Revenue and segment information (Continued)

(b) Segment information (Continued)

(ii) An analysis of the Group's assets and liabilities by segment as at 31st March, 2020 and 2019 is as follows:

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
As at 31st March, 2020				
Segment assets	550,585	176,863	130,121	857,569
Segment liabilities	290,990	98,962	19,026	408,978
As at 31st March, 2019				
Segment assets	663,927	181,906	170,457	1,016,290
Segment liabilities	415,508	110,494	21,677	547,679

5. Other income and gains - net

	2020 HK$'000	2019 HK$'000
Provision for impairment of property, plant and equipment	**-**	(10,000)
Net exchange gains	**6,673**	7,606
Loss on disposals of property, plant and equipment	**(902)**	(1,868)
Net fair value gains on financial assets at fair value through profit or loss	**198**	337
Government grants	**11,413**	7,157
Others	**1,686**	(722)
	19,068	2,510

6. Operating profit/(loss)

The following items have been charged/(credited) to the operating profit/(loss) during the year:

	2020	2019
	HK$'000	HK$'000
Employees benefit expense (including directors' emoluments)	**360,919**	458,674
Depreciation of right-of-use assets	**5,002**	-
Depreciation of property, plant and equipment	**47,729**	53,918
Provision/(write back of provision) for inventory obsolescence	**4,575**	(3,731)

7. Finance costs – net

	2020	2019
	HK$'000	HK$'000
Finance costs		
Interest expense on bank borrowings	**8,025**	10,563
Interest expenses on lease liabilities	**336**	-
Finance income	**8,361**	10,563
Interest income on bank deposits	**(510)**	(721)
	7,851	9,842

8. Income tax expense

The Company is exempted from taxation in Bermuda until 2035. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income taxes.

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong.

The subsidiaries established and operated in the PRC are subject to the PRC Corporate Income Tax at rate of 25% during the year (2019: 25%).

The subsidiaries established in Singapore and Malaysia are subject to Singapore Corporate Income Tax at a rate of 17% (2019: 17%) and Malaysia Corporate Income Tax at a rate of 24% (2019: 24%) respectively.

The amount of income tax charged to the consolidated income statement represents:

	2020	2019
	HK$'000	HK$'000
Current income tax expense/(credit)		
- Hong Kong Profits Tax	**5,392**	3,703
- PRC Corporate Income Tax	**3,672**	11,944
- Overseas Corporate Income Tax	**-**	(131)
Under/(over) provision in prior years	**175**	(568)
	9,239	14,948
Deferred income tax	**1,467**	(1,371)
Income tax expense	**10,706**	13,577

9. Earnings/(losses) per share

Basic

Basic earnings/(losses) per share is calculated by dividing the Group's profit/(loss) attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Profit/(loss) attributable to the owners of the Company (HK$'000)	**8,499**	(37,925)
Weighted average number of ordinary shares in issue ('000)	**525,135**	525,135
Basic earnings/(losses) per share (HK cents)	**1.62**	(7.22)

Diluted

Diluted earnings/(losses) per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. For the year ended 31st March, 2020 and 31st March, 2019, diluted earnings/(losses) per share equals basic earnings/(losses) per share as there were no dilutive potential shares.

10. Dividends

At the Board of Directors meeting held on 29th June, 2020, the Directors recommend the following dividends:

	2020 **HK$'000**	2019 HK$'000
Proposed final dividend – HK$0.01 (2019: Nil) per share	**5,251**	-
Proposed special dividend – HK$0.05 (2019 : Nil) per share	**26,257**	-
	31,508	-

The proposed final dividend and special dividend are not reflected as a dividend payable as at 31st March, 2020.

11. Trade receivables

The Group grants to its customers credit terms generally ranging from 30 to 120 days. The ageing of trade receivables by invoice date is as follows:

	2020	2019
	HK$'000	HK$'000
1 to 90 days	**125,449**	173,445
91 to 180 days	**29,428**	38,053
181 to 365 days	**923**	10,252
Over 365 days	**11,532**	8,238
	167,332	229,988
Less: loss allowance	**(12,810)**	(15,322)
	154,522	214,666

12. Trade and bill payables

The ageing analysis of trade and bill payables is as follows:

	2020	2019
	HK$'000	HK$'000
1 to 90 days	**77,405**	117,043
91 to 180 days	**4,712**	8,344
181 to 365 days	**1,172**	709
Over 365 days	**1,463**	2,798
	84,752	128,894

13. Reserves

Movements were as follows:

	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Financial assets at fair value through other comprehensive income revaluation reserve HK$'000	Translation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
<u>Group</u>							
Balance as at 1st April, 2019	**127,796**	**1,792**	**15,812**	**1,269**	**42,637**	**226,791**	**416,097**
Comprehensive income							
Profit attributable to the owners of the Company	-	-	-	-	-	8,499	8,499
Other comprehensive income							
- Decrease in fair value of financial assets at fair value through other comprehensive income	-	-	-	(587)	-	-	(587)
- Currency translation differences	-	-	-	-	(27,932)	-	(27,932)
Total comprehensive loss for the year	-	-	-	(587)	(27,932)	8,499	(20,020)
Transactions with the owners in their capacity as owners							
Transfer to statutory reserve	-	-	3,228	-	-	(3,228)	-
	-	-	3,228	(587)	(27,932)	5,271	(20,020)
As at 31st March, 2020	127,796	1,792	19,040	682	14,705	232,062	396,077
Balance as at 1st April, 2018	**127,796**	**1,792**	**13,459**	**1,154**	**69,024**	**267,069**	**480,294**
Comprehensive income							
Loss attributable to the owners of the Company	-	-	-	-	-	(37,925)	(37,925)
Other comprehensive income							
- Increase in fair value of financial assets at fair value through other comprehensive income	-	-	-	115	-	-	115
- Currency translation differences	-	-	-	-	(26,387)	-	(26,387)
Total comprehensive loss for the year	-	-	-	115	(26,387)	(37,925)	(64,197)
Transactions with the owners in their capacity as owners							
Transfer to statutory reserve	-	-	2,353	-	-	(2,353)	-
	-	-	2,353	115	(26,387)	(40,278)	(64,197)
As at 31st March, 2019	127,796	1,792	15,812	1,269	42,637	226,791	416,097

14. Litigation and claims

On 4th July, 2019, the Group entered into a provisional sale and purchase agreement with an independent third party for sale of one of the Group's properties in Hong Kong for a consideration of approximately HK$21 million.

The independent third party paid an initial deposit of HK$2.2 million. However, the independent third party withdrew from the purchase on completion date. On 5th November, 2019, the independent third party requested for the return of the initial deposit and the corresponding indemnity for stamp duty payment, damages and related costs. The Group has counterclaimed the independent third party for the cost incurred in connection with the sale and diminishment in sale price to be assessed.

At the date of this announcement, the litigation is still ongoing and the board of directors considered the Group a good arguable defence against the claim from the independent third party and do not consider any provision for the claim by the independent third party is required.

15. Events after the reporting period

(a) On 21st February, 2020, the Group and an independent third party - Alps Enterprises Limited (the "Purchaser") entered into an agreement (the "Equity Transfer Agreement") pursuant to which the Group conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the entire equity interest of an indirect wholly-owned subsidiary of the Company - Starlite Printers (Shenzhen) Co., Ltd ("Starlite Shenzhen") at a consideration of RMB319.2 million (equivalent to approximately HK$348.5 million). The sale of Starlite Shenzhen is regarded as a very substantial disposal (the "Transaction"), and it was approved by the shareholders on 8th April, 2020 .

Pursuant to the Transaction, the major shareholder of the Purchaser the ("Lender") would lend RMB136.8 million (equivalent to HK$149.3 million) (the "Loan") to Starlite Shenzhen. The Loan is not required to be repaid if the Transaction will be completed. The total consideration comprises the sales consideration of RMB319.2 million (equivalent to approximately HK$348.5 million) as stipulated in the Equity Transfer Agreement and the Loan Agreement.

An initial payment of RMB63.2 million (equivalent to approximately HK$69 million) and the Loan amount of RMB136.8 million (equivalent to approximately HK$149.3 million) was received on 14th April, 2020 and 15th April, 2020 by the Group respectively. The Transaction is expected to be completed 18 months from the date of receipt of the initial payment and the Loan. Subsequent to the receipt of the initial payment and the Loan, the Group has commenced the restructuring plan and the corresponding restructuring provision estimated to be approximately HK$77.3 million will be recognised for the period ending 31st March, 2021. The gain on disposal of the Transaction would be recognised only upon completion of the Transaction.

(b) Subsequent to 31st March, 2020, all land use rights and buildings of Starlite Shenzhen with a total net book value of approximately HK$26,971,000 as at 31st March, 2020 have been pledged to the Lender as security for the Loan advanced to Starlite Shenzhen.

(c) After the outbreak of the Coronavirus Disease 2019 ("COVID"-19") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, Hong Kong, Malaysia and Singapore. In Singapore, subsequent to 31st March, 2020, the Circuit Breaker was commenced on 7th April, 2020 and ended on 1st June, 2020. In Malaysia, the Movement Control Order was commenced on 18th March, 2020 and was extended to 9th June, 2020. The factory operation in Malaysia was initially suspended and have been substantially restored to the normal operation capacity on the date of this announcement. Given the dynamic circumstances and high uncertainties, the management is unable to estimate the impact of these events on the results of operations, financial position and cash flows for the year ending 31st March, 2021. The Group will pay close attention to the development of the COVID-19 and evaluate its impact on the results of operations, financial position, and cash flows of the Group.

RESULTS

For the year ended 31st March, 2020, the Group's revenue decreased by 21% to approximately HK$1,136 million. A profit of approximately HK$8 million was recorded, compared to a loss of approximately HK$38 million last year.

There are 3 major reasons for Group's turnaround: (i) conducting value chain analysis and adopting lean production in order to create a competitive edge which resulted in increased profit margins; (ii) adoption of policies to enhance the cost awareness of staff and create value for customers; and (iii) decreases in VAT rates and the rates of endowment, medical, unemployment, employment injury and maternity insurance and housing provident fund in mainland China, as well as depreciation of Renminbi.

During the year, all the four plants in the PRC have obtained satisfactory results in cost reduction, with the loss of Shenzhen plant narrowed, profits maintained for the plants in Guangzhou and Shaoguan. The Suzhou plant recorded a turnaround. However, revenue from all the areas dropped as major customers postponed demand due to the weakened market. In addition, materials in the ASEAN region continued to increase and the costs were not transferred to customers on time, resulting in increased loss from the plant in Malaysia.

The ongoing US-China conflicts and outbreak of COVID-19 in the first quarter of 2020 has affected the demand from global consumers. Nevertheless, under stringent virus control for the protection of its staff, the Group was the earliest one to resume operations in the industry. The Group actively participated in the pandemic control for the society. It supported the front-line healthcare workers by collaborating with the Polytechnic University to produce medical face shields and donate to the Hospital Authority of Hong Kong.

Facing the complicating economic environment and industrial competition, the Group has taken flexible measures to maintain its competitiveness. It has actively taken various measures to reduce operating costs. On the other hand, the Group has gradually reactivated and integrated its resources. For instance, it has increased investment in its own brand Team Green®, accelerated the automation and intellectual process of Larsemann, released the property value of its Shenzhen plant to enrich cashflow and integrated its operations and streamlined its operation plans for southern China. The Group will optimize the utilization and deployment of its resources for a healthy development. For details, please refer to the section "Business Review and Prospect".

DIVIDENDS

With 2020 marking the 50th anniversary of the establishment of Starlite Group, to express the appreciation to our shareholders for their continued support and belief in the Group and in view of our sound cash flow and financial positions, the Directors recommend a final dividend of HK1 cent (2019: Nil) and a special dividend of HK5 cents (2019: Nil) per share for the year ended 31st March, 2020 payable on 25th September, 2020 to shareholders whose names appear on the Register of Members on 4th September, 2020. The aggregate dividend for the financial year would be HK6 cents per share (2019: Nil).

BUSINESS REVIEW AND PROSPECTS

Overview

During the period under review, the issues such as the ongoing US-China trade conflicts and Brexit has increased the downward economic pressure. In addition, the sudden outbreak of the COVID-19 in the first quarter this year has led to disruptions to the supply chains in mainland China and shutdowns in major European and American consumption markets, resulting in significant impact on the demand for the global manufacturing industries. However, the Group's management has taken timely and decisive measures to arrange for contract fulfillment and receivables with its customers during the initial period of the outbreak. It was also the earliest one in the industry to resume operations. As a result, the Group still managed to secure some profit margin under the environment of temporary sluggish demand.

With the benefits of centralized procurement, systematic inventory management, automated manufacturing, refined improvement and implementation of Amoeba management practice, operating costs were under effective control. The Shaoguan and Guangzhou plants of the Group recorded profit. The improvement in labour efficiency allowed the Shenzhen plant to narrow its loss. In general, revenue from the southern China operation was declined but profit was improved.

The operation in eastern China also recorded a turnaround. The implementation of intelligent manufacturing has effectively boosted the production value per staff. New customers expressed their recognition to our automation and application of artificial intelligent technology on their visits to our plants. The Suzhou plant was rated as a National High and New-Tech Enterprise and a recognized corporate technology centre in Jiangsu. The loss from southeast Asian operation increased. The migration of industry chain for international customers was on the learning curve and some of the projects were delayed due to the COVID-19 and supply chain integration. Together with the increase in the prices of paper and materials, the profit margin of the southeast Asian operation was eroded.

In order to cope with the operating risks from fluctuations of economic cycles, the Group considers that now is the appropriate time to optimize the asset allocations of its plants. Given the improvement of the transport network and the expected development in the Guangdong-Hong Kong-Macao Greater Bay Area, the Group has integrated and streamlined its operations and resources in southern China through concentrating its machineries and resources in order to improve the efficiency of its production lines. As a result, the property value of its Shenzhen plant was released and its production plant in Shaoguan was expanded in May 2020. During the transition period, the operations, orders, production lines and other fixed assets of the Shenzhen plant will be transferred to the other plants in the Greater Bay Area to improve the efficiency of the Group’s assets.

Southern China Operation

The southern China operations of the Group recorded a turnaround. In the complicated global trading environment, orders from some industries such as greeting cards, toys and cosmetic packaging decreased as many economies have entered recession. The three plants in the PRC actively responded to changes in the external environment. During the period, they endeavoured to integrate customer resources to maximize the value of customers. In addition, pricing strategies on products were reviewed and operating costs were suppressed through ongoing delicacy management, development of supply chain platforms, effective inventory management, optimization on automation process and improvement on departmental integration, so as to offset the impact on profit as a result of reduced demand due to economic weakness. Moreover, the Amoeba management concept introduced at the end of last year also effectively raised the general level of digitalized management of our team.

The southern China operation of the Group is in the stage of optimization and integration. In light of the current property market of Shenzhen and increased production costs and constraints in Shenzhen, the Group resolved to release the property value of its plant in Shenzhen in 2020 in order to revive the value of the assets of the Group and match up to the Group's industrial presence in the Guangdong-Hong Kong-Macao Greater Bay Area. In addition, the Group has affirmed to construct more than 50,000 sq.m. of air-conditioned and modernized plant and accommodation in the area of its Shaoguan plant. The new plant will include a 3.5-storey Starlite Club House with a multifunctional hall that has the functions of video playing, performing, lecturing and conferencing, with an aim to develop itself as a leading printing and cultural enterprise in the north of Guangdong with business coverage to the areas of Guangdong, Jiangxi and Hunan. The new plant is scheduled to commence operation in early 2021, by the time the productivity of the Shaoguan plant will double.

Team Green® and JIGZLE®, brands of the Group's eco-friendly products, maintained steady sales. They collaborated with internationally renowned intellectual properties in developing original design manufacturer (ODM) products for the well-known international brands and launching customized products, which received overwhelming response from markets. The brands exploited business opportunities and increased publicity by participating in many exhibitions, such as Taobao Maker Festival, China Children-Baby-Maternity Expo, China International Fair for Toys & Preschool Educational Resources, special exhibitions of the British Museum, Lifestyle Expo Tokyo, Hangzhou Cultural & Creative Industry Expo and Tsinghua University Creativity Challenge. Multi-channel sales were actively developed and presence was made on the online platforms of Tmall, JD.com, Taobao and Wechat Mall.

On the other hand, Qianhai Larsemann Intelligence System (Shenzhen) Limited, a subsidiary of the Group, actively developed its own automated equipment, including 3-fold automatic gluing and folding machine, Team Green® smart material transit warehouse, JIGZLE® Automated Guided Vehicle (AGV) and new glittering machine. Patents were awarded for various research and development. The team of Larsemann had honored Guangdong Science and Technology Advancement Award of the year.

Eastern China Operation

During the period under review, the eastern China operation recorded a turnaround with increased profit margin thanks to the efficiency of automation projects, policy benefits of national social security and tax reforms as well as the depreciation of Renminbi. Factors such as external market weakness, increased downward pressure on the economy of mainland China, tightening national environmental policies and upgrade in consumption structure formed pressure on the growth of the eastern China operation. Revenue from special packaging and printing as well as greeting cards decreased due to market reasons, but slight increase was recorded for domestic sales.

The operation team in the region further leveraged their competitive strength. On the one hand, they actively responded to external changes by aggressively developing domestic market and capturing opportunities from the integrated development of the Yangtze River Delta, while optimizing their customer portfolio by exploiting internationally renowned customers from the food industry and covering the household industry. On the other hand, they increased investment in intelligent manufacturing. For example, their automation improving technology in ballpoint printing projects is leading in the industry; the fully automated glittering operation of the glitter screen printing machine developed by Larsemann is more environment friendly as it can prevent staff from direct contact to dust. In addition, the six-axis parallel robot operation can even allow full automation in glitter screen printing; and the upgrade in technology on automatic paper feeding equipment for manual hot stamping machine can reduce the fatigue of manual operation while improving efficiency. The series of improvement allowed the operation in eastern China to catch up with the key printing and innovation industrial base in Yangtze River Delta.

During the period, the intelligent manufacturing base of Team Green® and JIGZLE®, the Group's own brands, in eastern China has officially opened, which would fully support the business development of Team Green® and JIGZLE® in Greater China. The brands actively developed product series and expanded sales network. Two direct outlets were opened in Super Brand Mall, Shanghai and Eslite, Suzhou, respectively. In the meantime, Team Green® and JIGZLE® participated in the China (Russia) Commodity Fair 2019 as a representative of the culture innovative brand of China in response to the "Belt and Road" policy of China. Early this year, the brands participated in the Taicang Tourism, Culture and Food Festival for contributing to the promotion of the brands and the tourism.

South East Asia Operation

During the period, revenue from the southeast Asian operation increased but the loss widened. The forward-looking overseas operation allowed the Group to effectively respond to the complicated international trading environment and the massive industrial migration of customers in recent years, thereby providing strong protection to the Company in maintaining and developing international customers. The Group's four plants in the PRC are increasing their support to the plants in southeast Asia on the transfer of technology, equipment and lean management. However, the increase in the cost of materials in the region, the learning stage on new technology and postponement in some of the projects due to COVID-19 and supply chain integration has led to negative impact on the profit of the southeast Asian operation.

Apart from expanding capacities, accelerating the investment on digital and intelligent management, restructuring human resources and reinforcing the search of new materials in an attempt to improve the overall profitability, the operation team is also further developing new customers and broadening our platforms to provide multi-regional services to our long-term customers.

As the internationally renowned customers are moving their orders to the Group's southeast Asian plant from Greater China for production, the management expects the southeast Asian operation become a new growth engine to the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's sources of funding include cash generated from the Group's operations and banking facilities provided to the Group by banks mainly in Hong Kong and Mainland China. As at 31st March, 2020, the Group's cash and bank balances and short-term bank deposits amounted to approximately HK$232 million.

During the year under review, the interest expense of the Group amounted to approximately HK$8 million compared to approximately HK$11 million recorded last year.

As at 31st March, 2020, the Group had a working capital surplus of approximately HK$125 million compared to a working capital surplus of approximately HK$97 million as at 31st March, 2019. The Group was in net cash position as at 31st March 2020 and 31st March 2019. The Group's gearing ratio as at 31st March, 2020 was 29% (2019 : 46%), based on short-term and long-term bank borrowings, bill payables and lease liabilities and shareholders' funds of approximately HK$449 million (2019: HK$469 million).

CHARGE ON ASSETS

As at 31st March, 2020, certain assets of the Group with an aggregate book carrying value of approximately HK$19 million (31st March, 2019: HK$32 million) were pledged to secure the banking facilities of the Group.

EXCHANGE RATE EXPOSURE

All the Group's assets, liabilities and transactions are denominated in Hong Kong dollars, US dollars, Chinese Renminbi, Malaysian ringgit, Singapore dollars or Euro. The exchange rate of US dollars/Hong Kong dollars is relatively stable due to the current peg system in Hong Kong. The Renminbi-denominated sales revenue helps to set off the Group's commitments of Renminbi-denominated operating expenses in Mainland China, accordingly reducing Renminbi exchange rate exposure.

HUMAN RESOURCES DEVELOPMENT

Currently the Group has approximately 3,800 employees. The Group maintains good relationships with its employees, providing them with competitive packages, incentive schemes as well as various training programmes. The Group has maintained a Share Option Scheme under which share options can be granted to certain employees (including executive directors and non-executive directors of the Company (excluding independent non-executive directors)) as incentive for their contribution to the Group. The Group provides various training and development programmes to staff on an ongoing basis. The Group will explore the possibility of launching other special training programmes with universities in Mainland China and education institutions abroad to enhance its staff quality.

SOCIAL RESPONSIBILITY

As a responsible corporation, the Group is committed to promoting social enhancement whilst developing its businesses, through active participation in social welfare and environmental protection activities to realize its mission. Regardless of where the Group operates, the Group treats the local communities as family members and strives to contribute to such communities.

In the past years, the Group has allocated significant resources to energy conservation and environmental protection, provided venues and platforms of training and job opportunities for young people, and actively supported help-poor and schooling campaigns as well as disaster relief efforts in China. Apart from providing financial support, the Group also contributes people and time to various charity drives. In many circumstances, the Group's Chairman makes initiative to organize joint efforts with other enterprises and friends to pool resources together for the maximum benefits of those in need.

During the year under review, the Group and its staff made financial and other support to the following organizations:

— Collaborating with the Polytechnic University to produce medical face shields and donate to the Hospital Authority of Hong Kong

— Support to Hong Kong Mei Zhou Association for Anti-epidemic fundraising to medical professionals
— Support to Scout Association of Hong Kong
— The Hong Kong Seagulls Scholarship Scheme

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORT

The Group has established an environmental, social and governance ("ESG") management team to manage, monitor, recommend and report on environmental and social aspects. An ESG report is being prepared with reference to Appendix 27 Environmental, Social and Governance Reporting Guide to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and will be published on the Company's websites (http://www.hkstarlite.com) within three months after the publication of this annual report.

LOOKING AHEAD

In its *World Economic Outlook* published in June 2020, the International Monetary Fund (IMF) indicated that the global economy in this year may experience the deepest recession since the Great Depression, which will be more serious than the global financial crisis 10 years ago. Due to COVID-19, the global economy is estimated to contract sharply by around 4.9% in 2020. However, with the policy measures to support the resumption of economic activities, the global economy is estimated to grow by around 5.4% in 2021.

The recovery of global economy is facing huge uncertainties, the management is actively reviewing the costs of all the operating units for saving non-recurring operating costs. In the meantime, the Group will continue to pursue its business development, industrial upgrade and transformation, as well as the optimization of order combination, with an aim to establish the new standards of "accuracy, efficiency, quality and economy".

AUDIT COMMITTEE

The Audit Committee is composed of all the three Independent Non-Executive Directors of the Company. The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control and financial reporting matters, including the review of the Group's annual results and financial statements for the year ended 31st March, 2020.

REMUNERATION COMMITTEE

The Remuneration Committee was set up with the responsibility of recommending to the Board the remuneration policy of all the Directors and the senior management. The Remuneration Committee composed of all the three Independent Non-Executive Directors of the Company.

NOMINATION COMMITTEE

The Nomination Committee is composed of the Chairman of the Board, one Non-Executive Director and the three Independent Non-Executive Directors of the Company. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board on a regular basis and making recommendations to the Board regarding any proposed changes.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st March, 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the Code Provisions in Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the year ended 31st March, 2020 except for the deviations as mentioned below.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive Officer and Mr. Lam Kwong Yu currently holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person allows the Company to be more effective and efficient in developing long-term business strategies and execution of business plans. The Board believes that the balance of power and authority is adequately ensured by the operating of the Board which comprises experienced and high caliber individuals with a sufficient number thereof being Non-Executive Directors.

Code Provision A.2.7 stipulates that the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. As Mr. Lam Kwong Yu, Chairman of the Company, is also an Executive Director of the Company, this code provision is not applicable.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors (including independent non-executive directors) of the Company have not been appointed for a specific term, they are subject to retirement and re-election at annual general meeting in accordance with the Bye-laws of the Company.

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Kwok Lam Kwong, Larry, *SBS, JP,* Mr. Cheung Chi Shing, Charles, Mr. Tai Tzu Shi and Ms. Yeung Chui were unable to attend the Annual General Meeting of the Company held on 19th August, 2019 as they were engaged in other prior business commitments.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the Directors. All Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by directors as set out in the Model Code for the year ended 31st March, 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 14th August, 2020 to Wednesday, 19th August, 2020 (both dates inclusive), and Tuesday, 1st September, 2020 to Friday, 4th September, 2020 (both dates inclusive), during which periods no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company to be held on Wednesday, 19th August, 2020, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 13th August, 2020.

In order to qualify for the final and special dividends, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 31st August, 2020.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is available for viewing on the website of The Stock Exchange of Hong Kong Limited at http://www.hkexnews.hk under "Listed Company Information" and on the website of the Company at http://www.hkstarlite.com. The annual report for the year ended 31st March, 2020 will be dispatched to the shareholders and published on the above websites in due course.

On behalf of the Board
Starlite Holdings Limited
Lam Kwong Yu
Chairman

Hong Kong, 29th June, 2020

As at the date of this announcement, the Executive Directors of the Company are Mr. Lam Kwong Yu, Mr. Tin Shing and Mr. Poon Kwok Ching, Non-Executive Director is Ms. Yeung Chui, and the Independent Non-Executive Directors are Mr. Chan Yue Kwong, Michael, Mr. Kwok Lam Kwong, Larry, SBS, JP and Mr. Tam King Ching, Kenny.