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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2020

## INTERIM RESULTS (UNAUDITED)

The Directors of Starlite Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the six months ended 30th September, 2020, together with the unaudited comparative figures for the corresponding period in the year 2019, as follows:

**Condensed Consolidated Income Statement**
**For the six months ended 30th September, 2020**

| | | **Unaudited Six months ended 30th September,** | |
|---|---|---|---|
| | Note | **2020** | 2019 |
| | | **HK$'000** | HK$'000 |
| Revenue | 3 | **559,844** | 695,409 |
| Cost of sales | | **(452,586)** | (553,282) |
| Gross profit | | **107,258** | 142,127 |
| Other (losses)/gains – net | 5 | **(74,037)** | 10,467 |
| Selling and distribution costs | | **(31,383)** | (37,224) |
| General and administrative expenses | | **(68,872)** | (84,429) |
| Net impairment gains/(losses) on financial assets | | **1,965** | (3,588) |
| Operating (loss)/profit | 6 | **(65,069)** | 27,353 |

* *For identification purpose*

**Condensed Consolidated Income Statement (Continued)**
**For the six months ended 30th September, 2020**

| | Note | Unaudited Six months ended 30th September, 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| Finance income | | **1,015** | 284 |
| Finance costs | | **(2,164)** | (4,783) |
| Finance costs – net | 7 | **(1,149)** | (4,499) |
| **(Loss)/profit before income tax** | | **(66,218)** | 22,854 |
| Income tax expense | 8 | **(3,693)** | (6,580) |
| **(Loss)/profit for the period, attributable to the owners of the Company** | | **(69,911)** | 16,274 |
| **(Losses)/earnings per share attributable to the owners of the Company during the period** | | | |
| (expressed in HK cents per share) | 9 | | |
| - Basic | | **(13.31)** | 3.10 |
| - Diluted | | **(13.31)** | 3.10 |
| **Dividends** | 10 | **-** | - |

**Condensed Consolidated Statement of Comprehensive Income**
**For the six months ended 30th September, 2020**

| | Unaudited Six months ended 30th September, | |
|---|---|---|
| | **2020** | 2019 |
| | **HK$'000** | HK$'000 |
| **(Loss)/profit for the period** | **(69,911)** | 16,274 |
| **Other comprehensive income** | | |
| *Items that will not be reclassified to profit or loss:* | | |
| Decrease in fair value of financial assets at fair value through other comprehensive income | **(185)** | (259) |
| Currency translation differences | **13,182** | (19,971) |
| Other comprehensive income/(loss) for the period, net of tax | **12,997** | (20,230) |
| **Total comprehensive loss for the period, attributable to the owners of the Company** | **(56,914)** | (3,956) |

## Condensed Consolidated Statement of Financial Position

## As at 30th September, 2020

| | Note | **Unaudited As at 30th September, 2020 HK$'000** | Audited As at 31st March, 2020 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **293,856** | 289,832 |
| Right-of-use assets | | **32,791** | 32,697 |
| Prepayments for non-current assets | | **10,151** | 1,511 |
| Deposit | | **568** | 549 |
| Deferred income tax assets | | **1,635** | 1,604 |
| Financial assets at fair value through other comprehensive income | | **1,233** | 1,418 |
| Financial assets at fair value through profit or loss | | **8,118** | 13,335 |
| | | **348,352** | 340,946 |
| **Current assets** | | | |
| Inventories | | **88,223** | 107,089 |
| Trade and bill receivables | 11 | **292,476** | 154,522 |
| Prepayments and deposits | | **21,817** | 21,459 |
| Tax recoverable | | **747** | 1,153 |
| Bank deposits with maturity over 3 months from date of deposits | | **201** | 201 |
| Cash and cash equivalents | | **329,424** | 232,199 |
| | | **732,888** | 516,623 |
| **Total assets** | | **1,081,240** | 857,569 |
| **EQUITY** | | | |
| **Equity attributable to the owners of the Company** | | | |
| Share capital | | **52,514** | 52,514 |
| Reserves | 14 | **307,655** | 396,077 |
| **Total equity** | | **360,169** | 448,591 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **952** | 9,167 |
| Deferred revenue | | **524** | 604 |
| Lease liabilities | | **1,397** | 2,458 |
| Deferred income tax liabilities | | **5,436** | 5,436 |
| | | **8,309** | 17,665 |
| **Current liabilities** | | | |
| Trade and bill payables | 12 | **152,305** | 84,752 |
| Accruals and other payables | | **226,906** | 155,098 |
| Contract liabilities | | **-** | 4,646 |
| Current income tax liabilities | | **31,329** | 28,866 |
| Borrowings | | **85,253** | 113,079 |
| Amounts due to the Purchaser | 13 | **212,264** | - |
| Lease liabilities | | **4,495** | 4,671 |
| Deferred revenue | | **210** | 201 |
| | | **712,762** | 391,313 |
| **Total liabilities** | | **721,071** | 408,978 |
| **Total equity and liabilities** | | **1,081,240** | 857,569 |

*Notes:*

## 1. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th September, 2020 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The unaudited condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 31st March, 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

## 2. Accounting policies

The accounting policies applied to this unaudited condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31st March, 2020 as described in those annual financial statements except for the adoption of new and amended standards and interpretations effective for the reporting period beginning on or after 1st April, 2020. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### (a) New and amended standards and conceptual framework adopted by the Group

The following amendments to standards and conceptual framework have been adopted by the Group for the financial period beginning on or after 1st April, 2020:

| | |
|---|---|
| HKAS 1 and HKAS 8 (Amendments) | Definition of Material |
| HKFRS 3 (Amendments) | Definition of a Business |
| HKAS 39, HKFRS 7 and HKFRS 9 (Amendments) | Interest Rate Benchmark Reform |
| Conceptual Framework for financial reporting 2018 | Revised Conceptual Framework for Financial Reporting |

These amendments to standards and conceptual framework are mandatory for financial years commencing on or after 1st April, 2020. The impact of these new standards on the Group's condensed consolidated interim financial information is not significant.

The Group has not adopted any new or amended standards or interpretations that are not yet effective for interim period.

## 3. Revenue

Revenues is analysed as follows :

| | Unaudited<br>Six months ended<br>30th September,<br>**2020**<br>**HK$'000** | <br><br><br>2019<br>HK$'000 |
|---|---|---|
| Sales of packaging materials, labels, and paper products, including environmentally friendly paper products | **548,681** | 683,129 |
| Others | **11,163** | 12,280 |
| | **559,844** | 695,409 |

## 4. Segment information

The chief operating decision-maker (the "CODM") 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 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 (loss)/profit, (loss)/profit for the period, capital expenditure, assets and liabilities.

(i) The segment results for the six months ended 30th September, 2020 and 2019 are as follows:

| | Southern China | Eastern China | South East Asia | Group |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Six months ended 30th September, 2020 (Unaudited)** | | | | |
| Segment revenue | 415,305 | 112,560 | 65,623 | 593,488 |
| Inter-segment revenue | (279) | (33,365) | - | (33,644) |
| Revenue from external customers at a point in time | 415,026 | 79,195 | 65,623 | 559,844 |
| Operating loss | (50,984) | (5,209) | (8,876) | (65,069) |
| Finance income | 900 | 115 | - | 1,015 |
| Finance costs | (1,479) | (560) | (125) | (2,164) |
| Income tax expense | (3,693) | - | - | (3,693) |
| Loss for the period | (55,256) | (5,654) | (9,001) | (69,911) |
| **Other information :** | | | | |
| Additions to property, plant and equipment | 19,556 | 2,770 | 372 | 22,698 |
| Depreciation and amortisation for the period | 13,037 | 6,327 | 6,001 | 25,365 |
| Capital expenditure | 28,271 | 2,637 | 430 | 31,338 |

## 4. Segment information (Continued)

(i) The segment results for the six months ended 30th September, 2020 and 2019 are as follows: (Continued)

| | Southern China | Eastern China | South East Asia | Group |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Six months ended 30th September, 2019 (Unaudited)** | | | | |
| Segment revenue | 548,180 | 135,684 | 79,982 | 763,846 |
| Inter-segment revenue | (2,880) | (65,557) | - | (68,437) |
| Revenue from external customers at a point in time | 545,300 | 70,127 | 79,982 | 695,409 |
| Operating profit/(loss) | 25,714 | 3,944 | (2,305) | 27,353 |
| Finance income | 177 | 87 | 20 | 284 |
| Finance costs | (3,813) | (786) | (184) | (4,783) |
| Income tax expense | (5,221) | (1,252) | (107) | (6,580) |
| Profit/(loss) for the period | 16,857 | 1,993 | (2,576) | 16,274 |
| **Other information :** | | | | |
| Additions to property, plant and equipment | 8,528 | 4,202 | 1,057 | 13,787 |
| Depreciation and amortisation for the period | 14,365 | 7,159 | 6,435 | 27,959 |
| Capital expenditure | 10,063 | 4,450 | 980 | 15,493 |

## 4. Segment information (Continued)

(ii) An analysis of the Group's assets and liabilities by segments as at 30th September, 2020 and 31st March, 2020 is as follows:-

| | Southern China | Eastern China | South East Asia | Group |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **As at 30th September, 2020 (Unaudited)** | | | | |
| Segment assets | 765,792 | 184,531 | 130,917 | 1,081,240 |
| Segment liabilities | 599,952 | 97,100 | 24,019 | 721,071 |

| | Southern China | Eastern China | South East Asia | Group |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'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 |

## 5. Other (losses)/gains - net

| | Unaudited Six months ended 30th September, | |
|---|---|---|
| | **2020** | 2019 |
| | **HK$'000** | HK$'000 |
| **Other (losses)/gains – net** | | |
| Net exchange gains | **5,241** | 6,624 |
| Net gain/(loss) on disposal of property, plant and equipment | **572** | (874) |
| Net gain on disposal of financial assets at fair value through profit or loss | **634** | - |
| Net fair value gains on financial assets at fair value through profit or loss | **-** | 195 |
| Government subsidies | **8,607** | - |
| Restructuring provision *(Note a)* | **(89,810)** | - |
| Others | **719** | 4,522 |
| | **(74,037)** | 10,467 |

*Note*

(a) In relation to the disposal of Starlite Printers (Shenzhen) Co., Ltd, an indirect wholly-owned subsidiary of the Company, the disposal has been approved by the Shareholders on 8th April, 2020. The Group has then commenced the relocation and restructuring plan and the corresponding restructuring provision amounted to HK$89.8 million has been recognized for the six months ended 30th September, 2020. Such restructuring provision included legal fees, severance payments and relocation expenses of plant and machineries, etc. of Starlite Printers (Shenzhen) Co., Ltd. For details of the disposal, please refer to Note 13.

## 6. Operating (loss)/profit

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

| | Unaudited Six months ended 30th September, | |
|---|---|---|
| | **2020** | 2019 |
| | **HK$'000** | HK$'000 |
| Employees costs (including directors' emoluments) | **166,170** | 199,929 |
| Depreciation of right-of-use assets | **2,902** | 2,334 |
| Depreciation of property, plant and equipment | **22,463** | 25,625 |

## 7. Finance costs – net

| | Unaudited Six months ended 30th September, 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| **Finance costs** | | |
| Interest expenses on bank borrowings | **2,021** | 4,583 |
| Interest expenses on lease liabilities | **143** | 169 |
| Provision for unwinding discount | **-** | 31 |
| | **2,164** | 4,783 |
| **Finance income** | | |
| Interest income from bank deposits | **(1,015)** | (284) |
| | **1,149** | 4,499 |

## 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.

Subsidiaries established and operated in the Mainland China are subject to the PRC Corporate Income Tax at rate of 25% during the period (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.

| | **Unaudited Six months ended 30th September,** | |
|---|---|---|
| | **2020** | 2019 |
| | **HK$'000** | HK$'000 |
| Current income tax expense | | |
| - Hong Kong profits tax | **3,693** | 945 |
| - Mainland China Corporate Income Tax | **-** | 5,243 |
| - Singapore Corporate Income Tax | **-** | - |
| - Malaysia Corporate Income Tax | **-** | - |
| | **3,693** | 6,188 |
| Deferred income tax | **-** | 392 |
| | **3,693** | 6,580 |

## 9. (Losses)/earnings per share

***Basic***

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

| | Unaudited Six months ended 30th September, 2020 | 2019 |
|---|---|---|
| (Loss)/profit attributable to owners of the Company (HK$'000) | **(69,911)** | 16,274 |
| Weighted average number of ordinary shares in issue ('000) | **525,135** | 525,135 |
| Basic (losses)/earnings per share (HK cents) | **(13.31)** | 3.10 |

***Diluted***

Diluted (losses)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. For the period ended 30th September, 2019 and 30th September, 2020, diluted (losses)/earnings per share equals basic (losses)/earnings per share as there were no dilutive potential shares.

## 10. Dividends

The Board of Directors of the Company does not recommend the payment of an interim dividend for the six months ended 30th September, 2020 (Six months ended 30th September, 2019 : Nil).

## 11. Trade and bill receivables

| | **Unaudited As at 30th September, 2020** | Audited As at 31st March, 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade receivables | **303,126** | 167,332 |
| Less: Loss allowance | **(11,003)** | (12,810) |
| Trade receivables - net | **292,123** | 154,522 |
| Bill receivables | **353** | - |
| Trade and bill receivables | **292,476** | 154,522 |

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

| | **Unaudited As at 30th September, 2020** | Audited As at 31st March, 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 1 to 90 days | **263,297** | 125,449 |
| 91 to 180 days | **28,304** | 29,428 |
| 181 to 365 days | **1,427** | 923 |
| Over 365 days | **10,451** | 11,532 |
| | **303,479** | 167,332 |
| Less: Loss allowance | **(11,003)** | (12,810) |
| | **292,476** | 154,522 |

## 12. Trade and bill payables

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

| | **Unaudited As at 30th September, 2020 HK$'000** | Audited As at 31st March, 2020 HK$'000 |
|---|---|---|
| 1 to 90 days | **144,671** | 77,405 |
| 91 to 180 days | **2,319** | 4,712 |
| 181 to 365 days | **3,445** | 1,172 |
| Over 365 days | **1,870** | 1,463 |
| | **152,305** | 84,752 |

## 13. Amounts due to the Purchaser

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 (the "Loan") to Starlite Shenzhen. The Loan is not required to be repaid if the Transaction is completed. The total consideration comprises the sales consideration of RMB319.2 as stipulated in the Equity Transfer Agreement and the Loan Agreement.

An initial payment of RMB63.2 million and the Loan amount of RMB136.8 million was received on 14th April 2020 and 15th April 2020 by the Group respectively. The sum of HK$212.264 million was recognised as liability in the condensed consolidated statement of financial position.

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 relocation and restructuring plan as detailed in Note 5.

All land use rights and buildings of Starlite Shenzhen with a total net book value of approximately HK$29 million as at 30th September, 2020 have been pledged to the Lender as security for the loan advanced to Starlite Shenzhen pursuant to the loan agreement dated 21st February, 2020 entered into between the Lender and Starlite Shenzhen.

## 14. Reserves

Movements were:

| | 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$'000 | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **As at 1st April, 2020** | 127,796 | 1,792 | 19,040 | 682 | 14,705 | 232,062 | 396,077 |
| **Comprehensive income** | | | | | | | |
| Loss attributable to the owners of the Company | - | - | - | - | - | (69,911) | (69,911) |
| **Other comprehensive income** | | | | | | | |
| - Decrease in fair value of financial assets at fair value through other comprehensive income | - | - | - | (185) | - | - | (185) |
| - Currency translation differences | - | - | - | - | 13,182 | - | 13,182 |
| **Total comprehensive loss for the period** | - | - | - | (185) | 13,182 | (69,911) | (56,914) |
| **Transaction with the owners in their capacity as owners** | | | | | | | |
| Final and special dividends for the year ended 31st March, 2020 | - | - | - | - | - | (31,508) | (31,508) |
| | - | - | - | - | - | (31,508) | (31,508) |
| **As at 30th September, 2020 (Unaudited)** | 127,796 | 1,792 | 19,040 | 497 | 27,887 | 130,643 | 307,655 |
| | | | | | | | |
| **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 | - | - | - | - | - | 16,274 | 16,274 |
| **Other comprehensive income** | | | | | | | |
| - Decrease in fair value of financial assets at fair value through other comprehensive income | - | - | - | (259) | - | - | (259) |
| - Currency translation differences | - | - | - | - | (19,971) | - | (19,971) |
| **Total comprehensive loss for the period** | - | - | - | (259) | (19,971) | 16,274 | (3,956) |
| **As at 30th September, 2019 (Unaudited)** | 127,796 | 1,792 | 15,812 | 1,010 | 22,666 | 243,065 | 412,141 |

**RESULTS**

The Group posted a loss of approximately HK$70 million for the six months ended 30th September 2020, compared to profit of approximately HK$16 million in the same period last year. The Group recorded about HK$560 million in revenue, 20% lower than that of the same period last year.

The performance of the Group during the period was lower than expected, this was mainly due to: (i) the COVID-19 global pandemic has caused a greater influence on our major markets in Europe and the U.S., where some oversea customers have placed less orders to us, hence all the operating units of the Group have been affected to a certain extent; (ii) although appropriate controls have been implemented on the major operating costs, the non-variable and indirect expenses were difficult to be reduced significantly in a short-term, our profit level has been affected; (iii) the operation of Shenzhen plant has been transferred to the other plants in the Greater China Area, thus termination expenses and other related expenditures of approximately HK$90 million have been recorded.

Since the beginning of the year, the COVID-19 pandemic has been sweeping across the world and brought severe challenges to the global economy. Numerous countries have been suffering from the widespread disruption to economic activities due to COVID-19 pandemic, while the adoption of social distancing measures has also lowered the market demands directly or indirectly. Amid the pandemic, it is the first priority for the Group to secure the health and safety of our staff as well as proactively participate in the pandemic control for the society. Apart from the compliance of the prevention and control requirements implemented by the relevant authorities, we also provide face masks and hand sanitizers to our staff in all plants. Strict measures on body temperature checking and social distancing have been enforced with remarkable achievement. All our fellow staff have participated in the “Universal Community Testing Programme” organized by the HKSAR Government and presented an appreciation letter to the nucleic acid testing support team from the mainland of China. The abovementioned have laid a sound foundation for stabilizing the resumption of work, fighting the pandemic and ensuring the smooth operation of the Group.

Facing the temporary shrink on demand, the Group have decisively adopted a series measures on cost control and satisfactory results have been achieved. The three plants in southern China, including the Shaoguan plant and Guangzhou plant, remained profitable, while profit has also been recorded for the Shenzhen plant if the one-off business transfer expenses were not included.

On the other hand, the Suzhou plant has recorded a loss due to the postponement and suspension of certain business plans of our export customers.

For ASEAN region, since the movement restrictions order in Malaysia has been extended, the progress of resumption of work in Singapore and Malaysia have been affected, which resulted in losses recorded for our companies in Singapore/Malaysia.

Threatening by the risks from the escalation of international trade tensions and global economic recession resulted from the pandemic, in order to maintain our market competitiveness, the Group has flexibly adjusted its strategic targets and operation tactics, with the aim to keep optimizing the market layout and internal management as well as reducing the non-essential operation and human resources expenses to lower the operating cost of the Group. At the same time, the adjustments also orderly promoted the Group's new productivity layout and accelerated the integration of its operations and streamline of its operation plans for southern China, which targeted to make prompt responses when the market recovered to complement the healthy development. Details are set out in the “Business Review and Prospects” section.

**Interim Dividend**

In order to retain resources for the Group's development, the Board has resolved not to pay an interim dividend for the six months ended 30th September, 2020 (30th September, 2019 : Nil).

**Business Review and Prospects**

**Hong Kong / Mainland China Operations**

**Overview**

During the period under review, the COVID-19 pandemic has brought tremendous challenges to the operating activities of enterprises over the world. We were the earliest one to resume works and productions among the industry, however, the continuous implementations of measures, such as lockdowns of cities and countries and restrictions on entry and exit, due to the widespread of the pandemic in the major economies of Europe and the U.S. have caused huge strikes on economic components including supply chains, logistics and retails. Under the sluggish demand and economic growth, the customers are prudent and conservative for order placements. Nevertheless, the Group's management has taken timely and decisive measures to arrange for contract fulfillment and speedily adjustments on the plan of general orders management during the initial period of the outbreak. Product prices have been also marked in a prudent manner. As a result, limited negative impact has been posted on our profit margin under the environment of decrease in revenue.

Meanwhile, the Group has been actively promoting the optimization of its internal working process and the upgrade and transformation of its enterprise resources planning system. With the comprehensive promotions of projects, such as automatization and implementation of Amoeba management practice, which have continuously enhanced the efficiencies of our staff, while coupled by the gradual completion of the supply chain platform layout, the raw materials costs have been effectively reduced. As a result, the plants in Shaoguan and Guangdong have been realizing cost efficiency and contributing add-on values. Profit has also been recorded for the Shenzhen plant if the one-off business transfer expenses were not included. In general, revenue from the southern China operation was declined but profit was improved.

The operation in eastern China has recorded a loss. Some of the external customers have postponed their business promotions due to the weak market condition, which has affected the operation management of the area. The loss from the South East Asia operation has increased. The resumption of works in the area was 2 to 3 months later than the plants in Greater China due to the pandemic, it has to bear part of the downtime costs, which has adversely affected the profit margin of the operation in eastern China.

In response to the macro-economic uncertainties and the complicated and ever-changing external environment brought by the COVID-19 pandemic, the Group has speeded up the integrations of business and resources in the Greater China region. It has been continuously expanding the new plants in Shaoguan by ways such as purchasing printing and automation equipment and seeking for talents, which have significantly strengthened the product delivery capabilities and competitiveness in the industry of the production base. The new plant is scheduled to commence operation in early 2021, which will comprehend our industrial presence in the Guangdong-Hong Kong-Macao Greater Bay Area and ensure a stable development for the operation of the Group.

**Southern China Operation**

For the six months ended 30th September, 2020, the Group’s southern China operation remained a stable profit. Under the influences of the prolonged international geopolitical tensions and widespread of COVID-19, the recovery of the consumption market was slow. Except children books, orders from some markets, such as greeting cards and traditional packaging, have shrank. The three plants in the PRC actively responded to changes in the external environment. During the period, they endeavoured to adopt measures to enhance its operation efficiency, including promotion of innovative workflow designs, multi-dimensional and automatic development and promotion, applications of new services, new materials and new process as well as upgrade of enterprise resources planning system, so as to offset the impact on profit as a result of reduced demand due to economic weakness.

Furthermore, to be well-positioned for the new economy after the pandemic, the Group is currently accelerating the integration of the resources of its plant in Southern China and increasing the capacity of the Shaoguan plant. The progress of the modernized plant project in Shaoguan, which is scheduled to commence operation in the new financial year of 2021/2022, is satisfactory, and will be a new driving force for the Group's performance.

During the first six months of the year, the sales of TEAM GREEN®, an eco-friendly innovative brand of the Group, has recorded a decline due to the sluggish retail market. The Group actively exploited its new product series and increased publicity during the period, which included but not limited to setting up TEAM GREEN® Puzzle Museum in the LOG-ON stores in Causeway Bay and Festival Walk, participating in the 19th China (Shanghai) Toys Exhibition 2020 and jointly launched music boxes for different festivals with internationally renowned chain store brands.

**Eastern China operation**

During the period under review, the revenue of the eastern China operation dropped and recorded a loss. The shutdowns in major European and American consumption markets, resulting in the decline in revenues from greeting cards and technological products. Our management team has promptly adjusted the market composition, strengthened the development of the market of the mainland China, and further explored into the market potential of its existing customers in order to reach-out to customers in cosmetic, stationery and household goods industries, which has boosted a growth in domestic sales. On the other hand, investments in the establishment of intellectual and technical production platforms have been increased. For example, our automation improving technology in ballpoint printing projects is leading in the industry. The applications of six-axis parallel robots in the material distribution process and the upgrade in technology on automatic paper feeding equipment for manual hot stamping machines can reduce the fatigue of manual operation while improving efficiency. During the period, Suzhou Municipal Government conducted a visit to Suzhou Team Green Home Products Limited and appreciated the development of TEAM GREEN® in the Greater China region.

**Southeast Asia Business**

During the period, the revenue of the South East Asia operation dropped and recorded a loss. Due to the COVID-19 pandemic, lockdown and movement restrictions have been implemented in Singapore and Malaysia, respectively, which have resulted in the delay in the resumption plans for the plants in southeast Asia. Disruption of business activities and weakened sentiment in customer consumption have brought challenges to the geographical diversified strategies of the Group. Despite the challenges in operations, our management team was dedicated to closely communicate with the customers and handled the order execution plans. It has developed cooperation approaches with certain famous international brands from different industries, so as to be well-prepared for the business growth in the second-half of the year.

**Prospects**

In the World Economic Outlook report released in October 2020, the International Monetary Fund (IMF) expected that the global economy will experience a great recession of -4.4%, while there will be a growth of 5.2% in 2021. The global economy is recovering yet, it is likely to go through a process that takes a long-time and with hardships and uncertainties. In light of the uncertain recovery prospects, the management is proactively undertaking numerous measures to seek sources of revenue while cutting expenses. The measures are targeted to serve our existing quality customers and continue to put more efforts in exploring for domestic and foreign markets. In compliance with the new development policy of domestic and international dual cycle implemented by the Chinese government, we will actively and try our best to create values for the Company and Shareholders.

**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 30th September, 2020, the Group’s cash and bank balances and short-term bank deposits amounted to approximately HK$330 million.

During the period under review, the interest expense of the Group amounted to approximately HK$2.2 million compared to approximately HK$4.8 million recorded in the same period of 2019.

As at 30th September, 2020, the Group had a working capital surplus of approximately HK$20 million compared to a working capital surplus of approximately HK$137 million as at 30th September, 2019. The Group was in net cash position as at 30th September, 2020 and 2019. The Group will continue to adopt prudent policies to maintain a healthy financial position.

**CHARGE ON ASSETS**

As at 30th September, 2020, certain assets of the Group with an aggregate book carrying value of approximately HK$12 million (30th September, 2019: HK$23 million) were pledged to secure the banking facilities of the Group.

All land use rights and buildings of Starlite Printers (Shenzhen) Co., Ltd ("Starlite Shenzhen") with a total net book value of approximately HK$29 million as at 30th September, 2020 have been pledged to the Lender as security for the loan advanced to Starlite Shenzhen pursuant to the loan agreement dated 21st February, 2020 entered into between the Lender and Starlite Shenzhen.

**EXCHANGE RATE EXPOSURE**

All the Group's assets, liabilities and transactions are denominated either 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. On the other hand, the existing Renminbi denominated sales revenue helps to reduce the Group's commitments of Renminbi-denominated operating expenses in China. Transaction values involving Euro were primarily related to the Group's purchase of machinery.

## HUMAN RESOURCES DEVELOPMENT

Currently the Group has approximately 3,800 employees. The Group maintains good relations with its employees, providing them competitive packages and 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 further enhance its staff quality.

## AUDIT COMMITTEE

The Audit Committee is composed of all the three Independent Non-Executive Directors of the Company. The Audit Committee has reviewed with management the accounting policies adopted by the Group and discussed auditing, risk management and internal control system, and financial reporting matters, including the review of unaudited interim financial statements for the six months ended 30th September, 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.

## 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 period.

## CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the Code Provisions in the Corporate Governance Code and Corporate Governance Report (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 six months ended 30th September, 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 would allow 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, the 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 as they are subject to retirement by rotation 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* and Ms. Yeung Chui were unable to attend the Special General Meeting and Annual General Meeting of the Company held on 8th April, 2020 and 19th August, 2020 respectively as they were engaged in other prior business commitments.

**COMPLIANCE WITH 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 six months ended 30th September, 2020.

**PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk under "Latest Listed Company Information" and on the website of the Company at http://www.hkstarlite.com. The interim report for the six months ended 30th September, 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, 27th November, 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.*