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, 2021

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, 2021 together with the comparative figures for the previous year, as follows:

Consolidated Income Statement

For the year ended 31st March, 2021

	Note	**2021**	2020
		HK$'000	HK$'000
Revenue	3	**1,057,477**	1,135,902
Cost of sales		**(888,364)**	(904,422)
Gross profit		**169,113**	231,480
Other income and (losses)/gains - net	4	**(65,852)**	19,068
Selling and distribution costs		**(66,055)**	(63,671)
General and administrative expenses		**(137,476)**	(161,540)
Reversal of impairment losses on financial assets		**1,557**	1,719
Operating (loss)/profit	5	**(98,713)**	27,056

**For identification purpose only.*

Consolidated Income Statement (Continued)

For the year ended 31st March, 2021

	Note	**2021**	2020
		HK$'000	HK$'000
Finance income		**16,072**	510
Finance costs		**(10,623)**	(8,361)
Finance income/(costs) – net	6	**5,449**	(7,851)
(Loss)/profit before income tax		**(93,264)**	19,205
Income tax expense	7	**(5,261)**	(10,706)
(Loss)/profit for the year attributable to the owners of the Company		**(98,525)**	8,499
(Losses)/earnings per share attributable to the owners of the Company for the year			
(expressed in HK cents per share)	8		
- Basic		**(18.76)**	1.62
- Diluted		**(18.76)**	1.62

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2021

	2021	2020
	HK$'000	HK$'000
(Loss)/profit for the year	**(98,525)**	8,499
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
Currency translation differences	**34,569**	(27,932)
Items that will not be reclassified to profit or loss		
Increase/(decrease) in fair value of financial assets at fair value through other comprehensive income	**92**	(587)
Other comprehensive income/(loss) for the year, net of tax	**34,661**	(28,519)
Total comprehensive loss for the year attributable to the owners of the Company	**(63,864)**	(20,020)

Consolidated Statement of Financial Position

As at 31st March, 2021

	Note	**Audited As at 31st March, 2021 HK$'000**	Audited As at 31st March, 2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**333,095**	289,832
Right-of-use assets		**33,337**	32,697
Prepayments for non-current assets		**48,737**	1,511
Deposits		**-**	549
Deferred income tax assets		**1,769**	1,604
Financial assets at fair value through other comprehensive income		**1,510**	1,418
Financial assets at fair value through profit or loss		**8,332**	13,335
		426,780	340,946
Current assets			
Inventories		**104,139**	107,089
Trade and bill receivables	10	**179,671**	154,522
Prepayments and deposits		**29,672**	21,459
Tax recoverable		**3,992**	1,153
Bank deposits with maturity over 3 months from date of deposits		**201**	201
Cash and cash equivalents		**275,047**	232,199
		592,722	516,623
Total assets		**1,019,502**	857,569
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**52,514**	52,514
Reserves		**300,705**	396,077
Total equity		**353,219**	448,591
LIABILITIES			
Non-current liabilities			
Borrowings		**-**	9,167
Amount due to a purchaser of a subsidiary	12	**154,065**	-
Deferred revenue		**-**	604
Lease liabilities		**1,885**	2,458
Deferred income tax liabilities		**1,688**	5,436
		157,638	17,665
Current liabilities			
Trade and bill payables	11	**136,842**	84,752
Other payables and accruals		**102,802**	155,098
Contract liabilities		**4,904**	4,646
Current income tax liabilities		**30,422**	28,866
Borrowings		**158,728**	113,079
Amount due to a purchaser of a subsidiary	12	**69,692**	-
Lease liabilities		**5,255**	4,671
Deferred revenue		**-**	201
		508,645	391,313
Total liabilities		**666,283**	408,978
Total equity and liabilities		**1,019,502**	857,569

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 and its subsidiaries are collectively referred to the “Group”.

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 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) Amendments to existing standards and revised conceptual framework adopted by the Group

The following amendments to existing standards and revised conceptual framework have been adopted by the Group for the first time for the financial year beginning 1st April, 2020:

Standards	**Subject of amendment**
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The Group has adopted these amendments of standards and revised conceptual framework and the adoption of these amendments of standards and revised conceptual framework do not have significant impacts on the Group's consolidated financial statements.

2. Basis of preparation (Continued)

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

A number of new standard, interpretation and amendments to existing standards have been issued but not effective for annual periods beginning on 1st April, 2020 and have not been applied in preparing these consolidated financial statements.

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1st January, 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1st January, 2023
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Property, Plant and Equipment: Proceeds before Intended Use	1st January, 2022
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKFRS 16	Covid-19-related Rent Concessions	1st June, 2020
Amendments to HKFRS 16	Covid-19-related Rent Concessions beyond 30 June 2021	1st April, 2021
Annual Improvements Project	Annual Improvements to HKFRS 2018–2020	1st January, 2022
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1st January, 2023

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

3. Revenue and segment information

(a) Analysis of revenue by category:

	2021	2020
	HK$'000	HK$'000
At a point in time		
Sales of packaging materials, labels and paper products, including environmental friendly paper products	**1,036,063**	1,115,919
Others	**21,414**	19,983
	1,057,477	1,135,902

(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 (loss)/profit, (loss)/profit for the year, capital expenditure, assets and liabilities.

3. Revenue and segment information (Continued)

(b) Segment information (Continued)

(i) The segment results for the year ended 31st March, 2021 and 2020 are as follows:

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
Year ended 31st March, 2021				
Segment revenue	745,174	248,085	146,703	1,139,962
Inter-segment revenue	(1,234)	(81,251)	-	(82,485)
Revenue from external customers at a point in time	743,940	166,834	146,703	1,057,477
Operating loss	(48,871)	(22,908)	(26,934)	(98,713)
Finance income	15,895	177	-	16,072
Finance costs	(9,164)	(1,243)	(216)	(10,623)
Income tax expense	(3,314)	(1,947)	-	(5,261)
Loss for the year	(45,454)	(25,921)	(27,150)	(98,525)
Other information :				
Additions to property, plant and equipment	78,089	5,168	856	84,113
Depreciation	27,335	13,888	11,643	52,866
Capital expenditure	119,243	10,934	1,162	131,339
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	27,799	12,350	12,582	52,731
Capital expenditure	17,124	6,461	2,173	25,758

3. 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, 2021 and 2020 is as follows:

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
As at 31st March, 2021				
Segment assets	678,478	225,748	115,276	1,019,502
Segment liabilities	507,510	136,635	22,138	666,283
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

4. Other income and (losses)/gains - net

	2021 HK$'000	2020 HK$'000
Net exchange (losses)/gains	**(29,733)**	6,673
Gains/(losses) on disposals of property, plant and equipment	**10,968**	(902)
Net fair value gains on financial assets at fair value through profit or loss	**214**	198
Government grants	**18,115**	11,413
Restructuring costs (Note)	**(61,412)**	-
Net gain on disposal of financial assets at fair value through profit or loss	**635**	-
Written off of property, plant and equipment	**(3,900)**	-
Others	**(739)**	1,686
	(65,852)	19,068

Note

In relation to the disposal of Starlite Printers (Shenzhen) Co., Ltd ("Starlite Shenzhen"), 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. Total restructuring costs paid and payable amounted to approximately HK$89,408,000 including severance payments to employees, relocation expenses of plant and machineries and legal fees amounted to approximately HK$86,932,000, HK$1,366,000 and HK$1,110,000, respectively. The amount was off-set by the utilisation of accrued staff welfare of approximately HK$27,996,000 and recognised approximately HK$61,412,000 in the consolidated income statement for the year ended 31st March, 2021. Further details of the disposal are set out in Note 13.

5. Operating (loss)/profit

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

	2021	2020
	HK$'000	HK$'000
Employees benefit expense (including directors' emoluments and excluding severance payment)	**345,124**	360,919
Provision for inventories obsolescence	**9,718**	4,575
Depreciation of property, plant and equipment	**46,786**	47,729
Depreciation of right-of-use assets	**6,080**	5,002
Provision for impairment of property, plant and equipment	**784**	-

6. Finance income/(costs) – net

	2021	2020
	HK$'000	HK$'000
Finance income		
Interest income on bank deposits	**1,711**	510
Imputed interest income from amount due to a purchaser of a subsidiary (Note 12)	**14,361**	-
	16,072	510
Finance costs		
Interest expense on bank borrowings	**(3,948)**	(8,025)
Interest expenses on lease liabilities	**(258)**	(336)
Imputed interest expense from amount due to a purchaser of a subsidiary (Note 12)	**(6,417)**	-
	5,449	(7,851)

7. 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% (2020: 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 (2020: 25%).

The subsidiaries established in Singapore and Malaysia are subject to Singapore Corporate Income Tax at a rate of 17% (2020: 17%) and Malaysia Corporate Income Tax at a rate of 24% (2020: 24%) respectively.

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

	2021	2020
	HK$'000	HK$'000
Current income tax expense		
- Hong Kong Profits Tax	**349**	5,392
- PRC Corporate Income Tax	**4,655**	3,672
Under provision in prior years	**-**	175
Withholding tax on dividend declared in the PRC	**4,187**	-
	9,191	9,239
Deferred income tax	**(3,930)**	1,467
Income tax expense	**5,261**	10,706

8. (Losses)/earnings per share

Basic

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

	2021	2020
(Loss)/profit attributable to the owners of the Company (HK$'000)	**(98,525)**	8,499
Weighted average number of ordinary shares in issue ('000)	**525,135**	525,135
Basic (losses)/earnings per share (HK cents)	**(18.76)**	1.62

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 year ended 31st March, 2021 and 31st March, 2020, diluted (losses)/earnings per share equals basic (losses)/earnings per share as there were no dilutive potential shares.

9. Dividends

The Board of Directors do not recommend the payment of a final dividend for the year ended 31st March, 2021 (2020 : final dividend of HK1 cent and special dividend of HK5 cents per ordinary share).

No interim dividend was paid for the six months ended 30th September, 2020 (30th September, 2019: Nil).

10. Trade and bill receivables

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

	2021	2020
	HK$'000	HK$'000
1 to 90 days	**147,990**	125,449
91 to 180 days	**30,837**	29,428
181 to 365 days	**819**	923
Over 365 days	**11,593**	11,532
	191,239	167,332
Less: loss allowance	**(11,568)**	(12,810)
	179,671	154,522

11. Trade and bill payables

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

	2021	2020
	HK$'000	HK$'000
1 to 90 days	**125,582**	77,405
91 to 180 days	**7,589**	4,712
181 to 365 days	**163**	1,172
Over 365 days	**3,508**	1,463
	136,842	84,752

12. Amount due to a purchaser of a subsidiary

	2021 HK$'000	2020 HK$'000
Non-current		
Amount due to a purchaser of a subsidiary (Note a)	**154,065**	-
Current		
Amount due to a purchaser of a subsidiary (Note b)	**69,692**	-
	223,757	-

Notes**:**

(a) Pursuant to an equity transfer agreement signed on 21st February, 2020 (the "Equity Transfer Agreement"), the major shareholder of the purchaser lent RMB136,800,000 (equivalent to approximately HK$162,009,000) to the Group on 15th April, 2020. The amount is non-interest bearing and repayable within two years from the drawdown date. The imputed interest of HK$14,361,000 is unwinded, incurring a finance cost of HK$6,417,000 for the year ended 31 March 2021. The loan is not required to be repaid by the Group if the disposal is completed. The disposal of the subsidiary was completed on 8th June, 2021.

(b) Pursuant to the Equity Transfer Agreement, the Group is entitled to receive an initial payment of RMB63,200,000 (equivalent to approximately HK$69,692,000) after certain conditions were fulfilled. As at 31st March, 2020, the Group received an amount of approximately HK$11,112,000 which was included in other payables and accruals. After the shareholder's approval on 8th April,2020, the remaining amount of approximately HK$58,580,000 was received by the Group on 14th April, 2020. The amount is interest-free and repayable within 18 months from the drawdown date.

Details of the disposal is disclosed in Note 13.

13. Events after the reporting period

Pursuant to the Equity Transfer Agreement, 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 Shenzhen at a cash consideration of approximately RMB319,200,000 (equivalent to approximately HK$378,020,000). The disposal of Starlite Shenzhen is regarded as a very substantial disposal in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The disposal was completed on 8th June, 2021. Following the completion of the disposal, Starlite Shenzhen has ceased to be a subsidiary of the Group. The Board of Director of the Company is still assessing the financial impact of the disposal.

RESULTS

For the year ended 31st March, 2021, the Group's revenue decreased by 7% to approximately HK$1,057 million. A loss of approximately HK$99 million was recorded, compared to a profit of approximately HK$8 million last year.

The performance of the Group during the period was lower than expected, mainly because (i) demand in the global packaging market shrank as a result of the COVID-19 global pandemic, negatively affecting the business development of various operating units of the Group to a certain extent; (ii) our profit levels were affected by the appreciation of Renminbi by approximately 8% and the exchange losses recorded during the period, coupled with the failure to pass on the entire related costs to customers as the prices of major commodities and shipping costs soared in the second half of the year; (iii) approximately HK$90 million of severance payment and other related expenditures were recorded on the transfer of operations of the Shenzhen plant to other plants, mainly the Shaoguan plant, in Greater China.

Affected by the drastic fluctuations in the economic environment, the performance of the four plants in the PRC was varied during the year. The Shenzhen plant saw a turnaround excluding the one-off expenses relating to business transfer. The profit levels of the Shaoguan plant and the Guangzhou plant narrowed slightly. The Suzhou plant was loss-making due to higher raw material costs and outsourcing expenses. As for the ASEAN region, the operation plans for Singapore and Malaysia were affected due to multiple movement control orders within Malaysia, resulting in losses for our companies in Singapore/Malaysia.

The outbreak of COVID-19 more than a year ago has caused an unprecedented impact on the global economy. From raw material supply, human resources arrangement, logistics and transport to marketing, the entire value chain has been constantly interrupted. In the face of the pandemic and uncertainties in the external environment, the Group responded quickly and adjusted its business strategy promptly to maintain its competitiveness in the market. The Group continued to expand and optimise its customer structure by vigorously exploring the emerging and domestic markets. Moreover, continued to reduce unnecessary operating and human resources expenditures to lower operating costs. In addition, the Group seized the opportunities arising from gradual market recovery in the second half of the year and focused its resources on the faster roll-out of its new production capacity. Furthermore, a long-term strategy is to integrate and streamline the operations in the southern China region to facilitate the sustainable and healthy development of the Group. Details are set out in the section headed "Business Review and Prospects".

DIVIDENDS

In order to retain resources for the Group's future development, the Directors do not recommend a final dividend for the year ended 31st March, 2021 (2020: final dividend of HK1 cent and special dividend of HK5 cents per ordinary share). No interim dividend was paid for the six months ended 30th September, 2020 (30th September, 2019: Nil).

BUSINESS REVIEW AND PROSPECTS

Overview

During the period under review, the world experienced major changes unseen in a century. The ongoing geopolitical frictions and the worsening COVID-19 situation put economic globalisation into reverse. The world economy was stagnant, international trade and investment were plunged, and the flows of people, goods and capital were interrupted. The new normal of the stay-at-home economy posed challenges to the traditional economy. However, in every crisis there is an opportunity. Following the optimisation of anti-epidemic policies and the accumulation of experience in various countries together with the availability of vaccines, the Group capitalised on its long-standing reputation in the industry and its strong customer base and rode on the momentum built up by the partial economic recovery in the second half of the year. The Group actively responded to the changes in the external operating environment, raised its technological standards and increased its efforts in customer expansion. Its business rebounded significantly in the second half of the year as a result, offsetting part of the negative impact of the pandemic and multiple operating difficulties on performance.

Meanwhile, the Group actively promote lean manufacturing, Amoeba management practice, business process optimisation and precise inventory management and other measures to effectively control operating costs. During this adversity period, enabling the Group's Shaoguan plant to integrate an automated logistic system and warehouse management system to keep improving cost efficiency and make a profit. Excluding the one-off expenses relating to business transfer, the Shenzhen plant also recorded a profit. The Guangzhou plant was in the process of integrating its internal operations, which temporarily affected operating costs and weakened its profitability. Overall, the southern China operation saw a decline in revenue but contributed more add-on values to the Group.

Despite making a loss due to additional outsourcing expenses as the annual operation plan was affected by labour shortage, the eastern China operation grew rapidly in the second half of the year. On the other hand, losses incurred by the Southeast Asia operation increased as operation and production came to a half halt on multiple occasions given the volatility of the pandemic in the region. Companies had to bear part of the costs during suspension, affecting the profit of the Southeast Asia operation.

In response to macroeconomic uncertainties, the Group seized the opportunity to accelerate the integration of business and resources in the Greater China region to enhance the overall operating efficiency of the Group. The disposal of the entire equity interest of Starlite Printers (Shenzhen) Co., Ltd. was completed on 8th June, 2021, with the balance of the consideration of approximately HK$308 million already transferred to the Group's account. The customers' orders, production lines and fixed assets of the Shenzhen plant were successfully transferred to other plants in Greater China in the fourth quarter of the financial year. The new, modern smart logistic in Shaoguan also commenced operation in the first quarter of the new financial year, which helped the Group to expand its presence in the Greater China region and the Guangdong-Hong Kong-Macao Greater Bay Area and ensured the steady development of the Group's operations.

Southern China Operation

Profit of the Group's southern China operation remained stable during the year. The COVID-19 outbreak weakened the demand of the global retail market. Customers reduced their annual budgets given the lockdown measures in various countries, and growth of the southern China export-oriented operation was disrupted. Except for children's books and technological products packaging that benefited from the stay-at-home economy, orders from certain industries, such as greeting cards, toys and cosmetics are contracted. Nevertheless, the three plants in southern China took advantage of the regional scale. Flexible deployment, reliable supply and the resources of marketing partners to actively integrate the value chain during the period. Our operation team review the pricing strategy of products, avoid fierce competition in areas with low technology content and low added value, act based on customer demand, enhance the value for customers, improve operating efficiency and offset the impact of reduced demand on profit caused by the economic downturn.

In addition, to make the best preparations in the most difficult time, the Group was accelerating the construction of a new development pattern, i.e. the domestic and international dual circulation model. Completing the project to revitalise the property value of the Shenzhen plant a few months ahead of schedule, which effectively enhanced the value of the Group's assets. The Group also continued to increase its investment in Shaoguan by introducing the advanced Heidelberg and Manroland six-colour offset presses. The full-process smart manufacturing and logistics system is to prepare for the new economy after the pandemic. By then, the northern Guangdong plant will grow into an important driver of the Group's overall revenue growth. During this period, the Group won the China and Greater Bay Area Market Leadership Award from the Hong Kong Institute of Marketing, and the Shaoguan plant received the "Caring Enterprise" honour from the Shaoguan City Guan Shun Industrial Park Enterprises Association. These encouragements greatly strengthened the Group's confidence in its continued contribution and development in the southern China region.

The sales of the Group's innovative, environmentally friendly brand TEAM GREEN® declined due to the sluggish retail market. During the period, the Group actively developed new product series and strengthened brand promotion. For instance, the Group set up the TEAM GREEN® Puzzle Museum in the LOG-ON stores in Causeway Bay and Festival Walk, participated in the 19th China (Shanghai) Toys Exhibition 2020 and explored two new development directions with innovative ideas and interactive functions, i.e. TeamGreen® Lifestyle and TeamGreen® Design; TeamGreen® JIGZLE Home's Baby Giraffe Chairs were used by Miramar Group as decorations in Mira Place; a distributor in Japan prepared to launch the VW T1 Camper Van designed and produced by TeamGreen® and was interviewed by Mono, a well-known consumer magazine in Japan; and the flagship store of TEAM GREEN® was opened at The Peak Galleria in Hong Kong. During the period, TEAM GREEN® won the "Hong Kong Top Brand Award" in the "Hong Kong Top Brand Awards 2020" organised by the Hong Kong Brand Development Council, the 12th TVB Brand Award from Television Broadcasts Limited and the Hong Kong Business Designed in Hong Kong Award 2020 from Hong Kong Business Magazine.

Eastern China Operation

During the period under review, the eastern China operation rebounded strongly in the second half of the year. Through product innovation and order portfolio diversification, the management team strengthened market development in the Yangtze River Delta Economic Circle. Explored customers in the cosmetics, stationery, household goods industries to facilitate the growth of domestic sales, offsetting the decrease in revenue from the greeting cards operation due to the suspension of the European and American consumer markets. However, certain orders had to be outsourced in the second half of the year as it was more difficult to line up human resources in the region due to the pandemic. Overall, the eastern China operation recorded a slight increase despite a lower profit margin.

On the other hand, the management team was implementing a number of operation optimisation proposals to increase production capacity and expand market share. Apart from the increasing investment in smart manufacturing, such as overall leadership in ballpoint printing project automation and the application of six-axis robots in the distribution process of various materials, a new KBA 10-colour UV offset press was introduced as a major step forward in the creation of a base for printing and innovation industries in eastern China. In addition, the Group's Amoeba management practice of [idea + abacus] was officially implemented in the Suzhou plant. Together with the steady progress in upgrading the enterprise resources planning system, business, financial and information flows were deeply integrated, covering various segments such as marketing, procurement, R&D, production, warehousing and logistics. Stronger profitability was achieved for the eastern China operation and interim results were achieved in respect of effective cost control measures. During the period, the Suzhou Municipal Government visited Suzhou Team Green Home Products Limited and appreciated the business development of TEAM GREEN® in the Greater China region.

South East Asia Operation

During the period, the Southeast Asia operation registered a decline in revenue and was loss-making. Given the volatility of the pandemic and the increasing number of cases, the business and operation expansion plan for the ASEAN market was hindered by the movement control orders implemented in Malaysia. The continuous lockdown measures led to increases in raw material and logistics costs and incurred high suspension costs. However, the Group's first priority is to protect the health and safety of employees and take additional preventive measures, including providing masks and hand sanitisers for plant employees, increasing the frequency of disinfection in the workplace, strictly implementing temperature checks and maintaining social distancing. Remarkable results were achieved, laying a good foundation for the resumption of normal operation after the pandemic.

Despite the operational challenges, the management team was committed to exploring new customers while maintaining closer relationships with existing customers. It also had cooperation directions in place with certain renowned international brands from different industries to create demand for services in innovative medical care and smart home appliance sectors. This gave the Group an advantage in providing multi-regional and international services for faster business development in Southeast Asia in recent years.

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, 2021, the Group's cash and bank balances and short-term bank deposits amounted to approximately HK$275 million.

During the year under review, the interest expense of the Group amounted to approximately HK$11 million (of which including imputed interest expense from amount due to a purchaser of a subsidiary of approximately HK$6 million) compared to approximately HK$8 million recorded last year.

As at 31st March, 2021, the Group had a working capital surplus of approximately HK$84 million compared to a working capital surplus of approximately HK$125 million as at 31st March, 2020. The Group's net gearing ratio as at 31st March, 2021 was 33% (2020 : net cash position), based on short-term and long-term bank borrowings, lease liabilities, bills payables and amount due to a purchaser of a subsidiary net of bank balance and cash of approximately HK$116 million and shareholders' equity of approximately HK$353 million (2020 : HK$449 million). The Group's gearing ratio as at 31st March, 2021 was 111% (2020 : 29%), based on short-term and long-term bank borrowings, lease liabilities, bills payables and amount due to a purchaser of a subsidiary of approximately HK$391 million (2020 : HK$129 million) and shareholders' equity of approximately HK$353 million (2020 : HK$449 million).

CHARGE ON ASSETS

As at 31st March, 2021, certain assets of the Group with an aggregate book carrying value of approximately HK$53 million (31st March, 2020: HK$19 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$26 million as at 31st March, 2021 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 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 3,100 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:

— 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 website (http://www.hkstarlite.com) no later than five months after the end of the financial year.

LOOKING AHEAD

In the latest World Economic Outlook report released by the International Monetary Fund (IMF) in April 2021, the roll-out of vaccines was expected to promote economic recovery in the second half of the year, with global economic growth projected at 6% in 2021 and moderating to 4.4% in 2022. The future economic trend depends on the evolution of the health crisis, including whether the vaccines are effective against new virus strains and whether the pandemic will last longer due to new virus strains. This reflects the damage caused by the pandemic to the supply potential as well as certain factors that existed before the outbreak, including slower labour growth given the ageing population in developed economies and some emerging markets.

As huge uncertainties lie ahead of global economic recovery, the management is actively reviewing the costs of each operating unit to save recurring expenses while continuing to promote business and industry upgrading and transformation and step up its efforts to develop domestic and overseas markets. The promotion of its own brand, the domestic sales of self-made, export products and the full implementation of automated Industry 4.0 are speeded up. It will maintain a positive attitude and strive to create values for the Group and shareholders.

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, 2021.

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, 2021 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, 2021 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. Ms. Yeung Chui was 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 she was 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, 2021.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 17th August, 2021 to Friday, 20th August, 2021 (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 Friday, 20th August, 2021, 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, 16th August, 2021.

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, 2021 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, 2021

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.