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S T A R L I T E

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, 2021

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, 2021, together with the unaudited comparative figures for the corresponding period in the year 2020, as follows:

Condensed Consolidated Income Statement For the six months ended 30th September, 2021

	Note	Unaudited Six months ended 30th September,	
		2021	2020
		HK\$'000	HK\$'000
Revenue	3	556,896	559,844
Cost of sales		(514,607)	(452,586)
Gross profit		42,289	107,258
Other gains/(losses) – net	5	487,361	(74,037)
Selling and distribution costs		(35,675)	(31,383)
General and administrative expenses		(69,310)	(68,872)
Reversal of impairment losses on financial assets		942	1,965
Operating profit/(loss)	6	425,607	(65,069)

* For identification purpose

Condensed Consolidated Income Statement (Continued)
For the six months ended 30th September, 2021

		Unaudited	
		Six months ended	
		30th September,	
	Note	2021	2020
		HK\$'000	HK\$'000
Finance income		133	1,015
Finance costs		(10,646)	(2,164)
		<hr/>	<hr/>
Finance costs – net	7	(10,513)	(1,149)
		<hr/>	<hr/>
Profit/(loss) before income tax		415,094	(66,218)
Income tax credit/(expense)	8	2,621	(3,693)
		<hr/>	<hr/>
Profit/(loss) for the period, attributable to the owners of the Company		417,715	(69,911)
		<hr/> <hr/>	<hr/> <hr/>
Earnings/(losses) per share attributable to the owners of the Company during the period			
(expressed in HK cents per share)			
	9		
- Basic		79.54	(13.31)
		<hr/>	<hr/>
- Diluted		79.54	(13.31)
		<hr/>	<hr/>
Dividends	10	57,765	-
		<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30th September, 2021

	Unaudited	
	Six months ended	
	30th September,	
	2021	2020
	HK\$'000	HK\$'000
Profit/(loss) for the period	417,715	(69,911)
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss:</i>		
Decrease in fair value of financial assets at fair value through other comprehensive income	(101)	(185)
Currency translation differences	4,082	13,182
Other comprehensive income for the period, net of tax	3,981	12,997
Total comprehensive income/(loss) for the period, attributable to the owners of the Company	421,696	(56,914)

Condensed Consolidated Statement of Financial Position
As at 30th September, 2021

	Note	Unaudited As at 30th September, 2021 HK\$'000	Audited As at 31st March, 2021 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		368,494	333,095
Investment properties		17,761	-
Right-of-use assets		24,132	33,337
Prepayments for non-current assets		37,627	48,737
Deferred income tax assets		1,783	1,769
Financial assets at fair value through other comprehensive income		1,409	1,510
Financial assets at fair value through profit or loss		8,450	8,332
		<u>459,656</u>	<u>426,780</u>
Current assets			
Inventories		124,933	104,139
Trade and bill receivables	11	258,318	179,671
Prepayments and deposits		30,516	29,672
Tax recoverable		3,992	3,992
Bank deposits with maturity over 3 months from date of deposits		202	201
Cash and cash equivalents		353,102	275,047
		<u>771,063</u>	<u>592,722</u>
Total assets		<u><u>1,230,719</u></u>	<u><u>1,019,502</u></u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		52,514	52,514
Reserves		722,401	300,705
Total equity		<u>774,915</u>	<u>353,219</u>
LIABILITIES			
Non-current liabilities			
Amount due to a purchaser of a subsidiary	13	-	154,065
Lease liabilities		279	1,885
Deferred income tax liabilities		1,689	1,688
		<u>1,968</u>	<u>157,638</u>
Current liabilities			
Trade and bill payables	12	169,576	136,842
Other payables and accruals		91,875	102,802
Contract liabilities		4,763	4,904
Current income tax liabilities		27,727	30,422
Borrowings		155,776	158,728
Amounts due to a purchaser of a subsidiary	13	-	69,692
Lease liabilities		4,119	5,255
		<u>453,836</u>	<u>508,645</u>
Total liabilities		<u>455,804</u>	<u>666,283</u>
Total equity and liabilities		<u><u>1,230,719</u></u>	<u><u>1,019,502</u></u>

Notes:

1. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th September, 2021 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, 2021, 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, 2021 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, 2021. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Amendments to standards adopted by the Group

The following amendments to standards have been adopted by the Group for the financial period beginning on or after 1st April, 2021:

HKFRS 16 (Amendments)	Covid-19 Related Rent Concessions
HKFRS 16 (Amendments)	Covid-19 Related Rent Concessions beyond 30th June, 2021
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2

These amendments to standards are mandatory for financial years commencing on or after 1st April, 2021. The impact of these amendments to standards on the Group’s condensed consolidated interim financial information is not significant.

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

3. Revenue

Revenues is analysed as follows :

	Unaudited	
	Six months ended	
	30th September,	
	2021	2020
	HK\$'000	HK\$'000
Sales of packaging materials, labels, and paper products, including environmentally friendly paper products	544,958	548,681
Others	11,938	11,163
	<hr/>	<hr/>
	556,896	559,844
	<hr/> <hr/>	<hr/> <hr/>

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

- (i) The segment results for the six months ended 30th September, 2021 and 2020 are as follows:

	Southern China	Eastern China	South East Asia	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30th September, 2021 (Unaudited)				
Segment revenue	393,434	136,908	85,147	615,489
Inter-segment revenue	(1,062)	(57,531)	-	(58,593)
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue from external customers at a point in time	392,372	79,377	85,147	556,896
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Operating profit/(loss)	425,515	2,155	(2,063)	425,607
Finance income	54	79	-	133
Finance costs	(9,275)	(1,281)	(90)	(10,646)
Income tax credit/(expense)	5,864	(3,243)	-	2,621
	<hr/>	<hr/>	<hr/>	<hr/>
Profit/(loss) for the period	422,158	(2,290)	(2,153)	417,715
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Other information :				
Additions to property, plant and equipment	92,024	709	937	93,670
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation	10,162	6,109	5,764	22,035
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure	76,885	2,654	3,021	82,560
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

4. Segment information (Continued)

- (i) The segment results for the six months ended 30th September, 2021 and 2020 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, 2020 (Unaudited)				
Segment revenue	415,305	112,560	65,623	593,488
Inter-segment revenue	(279)	(33,365)	-	(33,644)
	<u>415,026</u>	<u>79,195</u>	<u>65,623</u>	<u>559,844</u>
Revenue from external customers at a point in time				
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	<u>(55,256)</u>	<u>(5,654)</u>	<u>(9,001)</u>	<u>(69,911)</u>
Other information :				
Additions to property, plant and equipment	19,556	2,770	372	22,698
Depreciation	13,037	6,327	6,001	25,365
Capital expenditure	<u>28,271</u>	<u>2,637</u>	<u>430</u>	<u>31,338</u>

4. Segment information (Continued)

- (ii) An analysis of the Group's assets and liabilities by segments as at 30th September, 2021 and 31st March, 2021 is as follows:-

	Southern China	Eastern China	South East Asia	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 30th September, 2021 (Unaudited)				
Segment assets	916,434	204,512	109,773	1,230,719
Segment liabilities	305,112	131,678	19,014	455,804
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

5. Other gains/(losses) - net

	Unaudited	
	Six months ended	
	30th September,	
	2021	2020
	HK\$'000	HK\$'000
Net exchange (losses)/gains	(6,199)	5,241
Net gain on disposal of property, plant and equipment	353	572
Net gain on disposal of right-of-use assets	6,508	-
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	118	-
Government subsidies	1,086	8,607
Net gain on disposal of a subsidiary (<i>Note 13</i>)	483,315	-
Restructuring provision (<i>Note 13</i>)	-	(89,810)
Others	2,180	719
	487,361	(74,037)

6. Operating profit/(loss)

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

	Unaudited	
	Six months ended 30th September,	
	2021	2020
	HK\$'000	HK\$'000
Employees costs (including directors' emoluments)	187,454	166,170
Depreciation of right-of-use assets	3,112	2,902
Depreciation of investment properties	212	-
Depreciation of property, plant and equipment	18,711	22,463
	<u>187,454</u>	<u>166,170</u>

7. Finance costs – net

	Unaudited	
	Six months ended 30th September,	
	2021	2020
	HK\$'000	HK\$'000
Finance income		
Interest income from bank deposits	133	1,015
	<u>133</u>	<u>1,015</u>
Finance costs		
Interest expenses on bank borrowings	(2,578)	(2,021)
Interest expenses on lease liabilities	(124)	(143)
Imputed interest expenses from amount due to a purchaser of a subsidiary	(7,944)	-
	<u>(10,513)</u>	<u>(1,149)</u>

8. Income tax credit/(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.

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

	Unaudited	
	Six months ended	
	30th September,	
	2021	2020
	HK\$'000	HK\$'000
Current income tax credit/(expense)		
- Hong Kong profits tax	-	(3,693)
- Mainland China Corporate Income Tax	(3,312)	-
Write back over provision in prior years	5,933	-
	<hr/>	<hr/>
	2,621	(3,693)
Deferred income tax	-	-
	<hr/>	<hr/>
	2,621	(3,693)
	<hr/> <hr/>	<hr/> <hr/>

9. Earnings/(losses) per share

Basic

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) 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,	
	2021	2020
Profit/(loss) attributable to owners of the Company (HK\$'000)	417,715	(69,911)
Weighted average number of ordinary shares in issue ('000)	525,135	525,135
Basic earnings/(losses) per share (HK cents)	79.54	(13.31)

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 period ended 30th September, 2021 and 30th September, 2020, diluted earnings/(losses) per share equals basic earnings/(losses) per share as there were no dilutive potential shares.

10. Dividends

	Unaudited	
	Six months ended	
	30th September,	
	2021	2020
	HK\$'000	HK\$'000
Proposed interim dividend of HK1 cent (2020: Nil) per share	5,251	-
Proposed special dividend of HK10 cents (2020: Nil) per share	52,514	-
	57,765	-

11. Trade and bill receivables

	Unaudited As at 30th September, 2021 HK\$'000	Audited As at 31st March, 2021 HK\$'000
Trade receivables	268,872	191,130
Less: Loss allowance	(10,674)	(11,568)
	<hr/>	<hr/>
Trade receivables - net	258,198	179,562
Bill receivables	120	109
	<hr/>	<hr/>
Trade and bill receivables	258,318	179,671
	<hr/> <hr/>	<hr/> <hr/>

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, 2021 HK\$'000	Audited As at 31st March, 2021 HK\$'000
1 to 90 days	244,676	147,990
91 to 180 days	14,644	30,837
181 to 365 days	1,172	819
Over 365 days	8,500	11,593
	<hr/>	<hr/>
	268,992	191,239
Less: Loss allowance	(10,674)	(11,568)
	<hr/>	<hr/>
	258,318	179,671
	<hr/> <hr/>	<hr/> <hr/>

12. Trade and bill payables

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

	Unaudited As at 30th September, 2021 HK\$'000	Audited As at 31st March, 2021 HK\$'000
1 to 90 days	159,872	125,582
91 to 180 days	4,463	7,589
181 to 365 days	1,209	163
Over 365 days	4,032	3,508
	<hr/>	<hr/>
	169,576	136,842
	<hr/> <hr/>	<hr/> <hr/>

13. Completion of Very Substantial Disposal of a subsidiary

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 RMB319,200,000 (equivalent to approximately HK\$378,070,000). 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”) lent RMB136,800,000 (equivalent to HK\$166,086,000) (the “Loan”) to Starlite Shenzhen. The Loan is not required to be repaid if the Transaction is completed.

The Group received the initial payment of RMB63,200,000 and the Loan in April 2020. Subsequent to the receipt of the initial payment and the Loan, the Group has commenced the relocation and restructuring plan. The Transaction is expected to be completed 18 months from the date of receipt of the initial payment and the Loan.

The Group recognised total restructuring costs paid and payable amounted to HK\$89,810,000 for the six months ended 30th September, 2020. All completion conditions of the Disposal have been satisfied and completion took place on 8th June, 2021 (the “Completion Date”) in accordance with the terms and conditions of the Equity Transfer Agreement. The Group received balance of the consideration in the amount of RMB256,000,000 (equivalent to approximately HK\$308,378,004).

Upon the Completion Date of the Transaction, the actual payment of restructuring costs was amounted to HK\$89,643,000.

Starlite Shenzhen is the borrower of the Loan and the Group would not assume the obligations to repay the Loan.

Following completion, Starlite Shenzhen has ceased to be a subsidiary of the Company.

13. Completion of Very Substantial Disposal of a subsidiary (Continued)

Reconciliation of the unaudited net gain on disposal of Starlite Shenzhen is as follow :

	HK\$'000
Loan from owner of the Purchaser contemplated under the Loan Agreement	166,086
Considerations as stated in the Equity Transfer Agreement	<u>378,070</u>
	544,156
Less :	
Tax and related expenses in connection with the Disposal	<u>(32,536)</u>
	511,620
Less:	
Carrying amount of remaining assets and liabilities of Starlite Shenzhen as at date of Completion	<u>(28,305)</u>
Gain on disposal, net	<u>483,315</u> =====

RESULTS

The Group posted a profit of approximately HK\$418 million for the six months ended 30th September 2021, compared to loss of approximately HK\$70 million in the same period last year. The Group recorded about HK\$557 million in revenue, similar to that of the same period last year.

The performance of the Group during this period has been improved mainly due to the disposal of the entire equity interests in Starlite Printers (Shenzhen) Co., Ltd and recorded a net gain of approximately HK\$483 million. However, the surging prices of major raw materials, shipping fee and labour-related costs in the period have affected the overall performance.

Since the beginning of the year, despite the continuous recovery of the global economy, the impacts brought by the COVID-19 pandemic and the highly infectious variant strains are raging around the world. Countries are facing huge health risks, which have hindered the process in achieving full economic recovery. The differentiated trend for the development prospects of global economies was the main reason for the imbalance of supply and demand in all links of the supply chain. From the supply of raw materials to logistics and transportation, hence increase in operating costs. Affected by the drastic fluctuations in the economic environment, the performance of the four plants in the PRC was varied during the period. The Guangzhou plant remained profitable, while the Shaoguan plant suffered from a loss. Upon the completion of the Shenzhen equity transfer, the plant has recorded a one-off gain. On the other hand, for the Suzhou plant and ASEAN region, through actively seizing the opportunities from market recovery; sales have increased, and losses have narrowed.

Under the changes of macro-economy and industrial environment, the Group has flexibly adjusted its strategic targets and operation tactics in order to maintain our market competitiveness. The Group aim to keep optimizing its customer structure and actively explore

for core customers; In addition, strengthen the cost controls, enhance the productivity as well as accelerating the constructions of intelligence and informatization. At the same time, by grasping the development opportunities of consumer consumption upgrade and industries integration in mainland China, the Group also promoted to adjust to the new productivity layout, which targeted to make prompt responses when the market fully recovered. Details are set out in the “Business Review and Prospects” section.

Interim Dividend

To express the appreciation to our shareholders for their continued support and belief in the Group; In addition to our sound cash flow and financial positions, the Board recommends an interim dividend of HK1 cent (30th September, 2020 : Nil) and a special dividend of HK10 cents (30th September, 2020: Nil) per share for the six months ended 30th September, 2021 payable on 7th January, 2022 to shareholders whose names appear on the Register of Members on 23rd December, 2021.

Business Review and Prospects

Hong Kong / Mainland China Operations

Overview

During the period under review, the global economy development was generally improving. The economic development status of every country was directly related to the epidemic control, vaccination rates and fiscal policy support. The COVID-19 situation in mainland China was relatively stable, however, especially in Europe and the United States, was still grim. There was quite a big difference in the global economy as compared to that of the pre-epidemic levels. The supply interruption caused by COVID-19 seems to last longer, coupled factors such as the release of pent-up demand, the rebound in major commodity prices and freight delays, all of which have further aggravated inflation and brought huge challenges to the operations of

corporations. Capitalised on excellent reputation, fulfilling contracts with integrity, bearing additional operating costs, the Group has won the recognition among many domestic and foreign strategic partners and formed a unique advantage in high-quality customer resources. All these are beneficial to the long-term, stable and healthy development of the Group.

Meanwhile, in order to enhance operating efficiency, the Group is actively promoting the upgrades and transformations of its internal management system. With the development goals of reducing costs, improving efficiency and increasing value, the Group has achieved interim results amidst hardships. The plants in Guangdong of the Group have been realizing cost efficiency and contributing add-on values. The plant in Shenzhen has recorded an one-off gain, whilst the plant in Shaoguan was loss-making due to the impacts on operating costs brought by business integration. In general, revenue from the southern China operation was declined but profit was still recorded.

Despite the marginal profit of the eastern China operations have been lowered due to additional outsourcing and labour expenses affected by labour shortage, the eastern China operation has seen a growth in the first half of the year. On the other hand, losses incurred by the Southeast Asia operation is narrowed even its 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 the macro-economic 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. has been completed, ahead of schedule, on 8th June 2021. The new, smart logistics in Shaoguan will start its operation in 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. During the period, the Group has been awarded the HKMOB Awards 2021 – “The Most Reputable Printing and Packaging Enterprise of the Year in Greater China” (香港最優秀服務大獎 2021 –“大中華年度最具信譽印刷包裝企業”).

Southern China Operation

For the six months ended 30th September 2021, the Group's southern China operation remained a profit. The revival of the global economy has enabled certain packaging and children's book customer orders to achieve recovery growth. The plant in Shaoguan has been rated as the Key Enterprise of National Cultural Export in 2021/22 (2021/22 年度國家文化出口重點企業). At the same time, conditions including the sharp increase in the price of major raw materials, especially paper, labour shortages, multiple increase in logistics costs led by the widespread delays in shipping; the slow-moving inventory have caused a massive impact on operations and management, which pressured the Group profit margins.

Nonetheless, the Group is currently accelerating the integration of the resources of its plant in Southern China. Apart from completing the project to revitalise the property value of the Shenzhen plant a few months ahead of schedule, the modernize smart Shaoguan plant has also officially commenced in its production. The advanced Heidelberg and Manroland six-colour offset presses being introduced as well as the full-process smart manufacturing and logistics system have been put into service successively. With the full coverage of the 5G network, it has completely connected the business flow and information flow. Logistic integration among raw materials warehouse and semi-finished products warehouse, as well as assembly workshops are all connected physically and digitally. By means of smart manufacturing, information construction, supply chain management, process optimization, warehousing logistics and big

data management, the Group will comprehensively meet its customers' needs and continue to create value for them to prepare for the new economy after the pandemic.

During the first six months of the year, with the gradual resumption of retail activities, the sales of the Group's innovative, environmentally friendly brand TEAM GREEN® has recorded an increase. The Group actively exploited its new product series and increased publicity during the period, which included but not limited to selling in the Eslite Bookstore in Causeway Bay, interviewing with "Decoding the Greater Bay Area" (大灣區解碼), a programme produced by TVB Finance & Information Channel, participating in FAO promotional activities for the Doraemon Series in the Eslite Bookstore in Suzhou and Beijing China World Mall (北京國貿商城), taking parts in the sizeable promotional event in Shanghai Metro City LOFT as well as joining in the 15th China (Shenzhen) International Logistics and Supply Chain Fair 2021 (2021 第十六屆中國(深圳)國際物流與供應鏈博覽會).

Eastern China operation

During the period under review, the eastern China operation has witnessed revenue growth and narrowed loss. The recovery in major European and American consumption markets, resulting in the increase in revenues from greeting cards. Our management team was committed to implement the domestic and international dual-cycle development policy, strengthened the development of the market of mainland China and focused on customer services to build a comprehensive and in-depth co-operative relationship with high-quality customers from all walks of life. It also reaches-out to customers in cosmetic, daily necessities and food industries, which has boosted a growth in domestic sales. In addition, the global safety verification for BRCGS food packaging has entered the final review stage, which was conducive in exploring the huge food packaging market in the eastern China region. Meanwhile, the Group has increase the investments in modern production facilities, such as the most advanced 10-color UV flat

sheet cold foil offset printing machine (10 色 UV 對開平張冷燙膠印機), ZHONGKE ZK-660FCS fully automatic boxes and covers forming machine, ZHONGKE ZK-660FCS fully automatic boxes and covers forming machine (全自動天地蓋紙盒成型機), KAMA Profoil 76 hot foil stamping machine with embossing and high-precision die cutting process (KAMA Profoil 76 燙金、擊凸和模切高精度自動機器), to improve the ability to handle fine products and meet the development needs of the market and customers in various aspects at the same time. During the period, China Central Television has visited the Suzhou plant and Suzhou Team Green has participated in the 2021 Suzhou Innovation Expo (2021 蘇州創博會), which have given affirmation and praise to the Group's establishment of a printing and innovation industry base in the eastern China.

Southeast Asia Business

During the period, the Southeast Asia operation registered an increase in revenue and a reduction in loss. Given the spread of the pandemic, Malaysia government has extended the implementation of movement control orders. The continuous lockdown measures led to increase in raw material and logistics costs, therefore, incurred high suspension costs. The management team, however, has leveraged on the influences of its brand customers in various industries to further expand and strengthen the Group's brand advantages. It has explored more high-quality customers and established service demands in the fields of innovative medical care, food, and smart technology. Furthermore, our plant in Malaysia has tapped into Penang by expanding to post-print and assembly production lines. It provides more timely, professional, and attentive services to local customers, which enables the Group to undertake part of the global industrial transfer capacity and build a solid foundation for overseas business expansion. During the period, Starlite Printers (Far East) has been awarded the New Year Commercial Sales and Display Wealth Gifts-Singapore Star Award (新春商業銷售及展示類財富禮品-新加坡之星獎).

Prospects

In the World Economic Outlook report released in October 2021, the International Monetary Fund (IMF) would slightly lower the global growth forecast for 2021 to 5.9%, while the forecast for 2022 remains unchanged at 4.9%. As the COVID-19 situation worsens, the prospects for low-income developing countries have become bleaker. The near-term prospects for advanced economies have become more difficult, which, to a certain extent, is caused by supply disturbance. Inflation has also brought tremendous uncertainty. All in all, risks to the economic outlook have increased and policy trade-offs have become more complicated.

In light of the uncertain recovery prospects, our management always maintains a high degree of vigilance. Apart from proactively undertaking numerous measures to seek sources of revenue while cutting expenses, the Group targets to serve our existing quality customers, and continues to promote business and industry upgrading. More efforts are put in exploring for domestic and foreign markets. In order to help the Chinese government to achieve its goals in carbon peak and carbon neutral as soon as possible, the Group has initiated green investments. During the period, the Group has obtained the “Certificate of Participation in Green Financing Solutions” (綠色融資方案參與證書) issued by The Hongkong and Shanghai Banking Corporation Limited to commend the Group's contributions to "green transformation" and sustainable developments.

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, 2021, the Group's cash and bank balances and short-term bank deposits amounted to approximately HK\$353 million.

During the period 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\$8 million) compared to approximately HK\$2.2 million recorded in the same period of 2020.

As at 30th September, 2021, the Group had a working capital surplus of approximately HK\$317 million compared to a working capital surplus of approximately HK\$20 million as at 30th September, 2020. The Group was in net cash position as at 30th September, 2021 and 2020. The Group will continue to adopt prudent policies to maintain a healthy financial position.

CHARGE ON ASSETS

As at 30th September, 2021, certain assets of the Group with an aggregate book carrying value of approximately HK\$49 million (30th September, 2020: HK\$12 million) were pledged to secure the banking facilities of the Group.

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 3,200 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, 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 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, 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 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. Ms. Yeung Chui was unable to attend the Annual General Meeting of the Company held on 20th August, 2021 as she was 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, 2021.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 20th December, 2021 to Thursday, 23rd December, 2021 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim and special dividends, shareholders must deliver their share transfer forms and share certificates to 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 Friday, 17th December, 2021.

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, 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, 26th November, 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.