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, 2022

The Directors of Starlite Holdings Limited (the "Company") are pleased to announce the consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31st March, 2022 together with the comparative figures for the previous year, as follows:

Consolidated Income Statement
For the year ended 31st March, 2022

	Note	**2022**	2021
		HK$'000	HK$'000
Revenue	3	**1,048,700**	1,057,477
Cost of sales		**(950,020)**	(888,364)
Gross profit		**98,680**	169,113
Other income and gains/(losses) - net	4	**468,781**	(65,852)
Selling and distribution costs		**(65,465)**	(66,055)
General and administrative expenses		**(131,031)**	(137,476)
(Impairment loss)/reversal of impairment losses on financial assets		**(3,544)**	1,557
Operating profit/(loss)	5	**367,421**	(98,713)

**For identification purpose only.*

Consolidated Income Statement (Continued)

For the year ended 31st March, 2022

	Note	**2022**	2021
		HK$'000	HK$'000
Finance income		**465**	16,072
Finance costs		**(17,545)**	(10,623)
Finance (costs)/income – net	6	**(17,080)**	5,449
Profit/(loss) before income tax		**350,341**	(93,264)
Income tax credit/(expense)	7	**7,132**	(5,261)
Profit/(loss) for the year attributable to the owners of the Company		**357,473**	(98,525)
Earnings/(losses) per share attributable to the owners of the Company for the year			
(expressed in HK cents per share)	8		
- Basic		**68.10**	(18.76)
- Diluted		**68.10**	(18.76)

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2022

	2022	2021
	HK$'000	HK$'000
Profit/(loss) for the year	**357,473**	(98,525)
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
Currency translation differences	**19,895**	34,569
Items that will not be reclassified to profit or loss		
(Decrease)/increase in fair value of financial assets at fair value through other comprehensive income	**(75)**	92
Other comprehensive income for the year, net of tax	**19,820**	34,661
Total comprehensive income/(loss) for the year attributable to the owners of the Company	**377,293**	(63,864)

Consolidated Statement of Financial Position

As at 31st March, 2022

	Note	**As at 31st March, 2022 HK$'000**	As at 31st March, 2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**361,213**	333,095
Investment properties		**17,463**	-
Right-of-use assets		**25,735**	33,337
Prepayments for non-current assets		**9,130**	48,737
Deferred income tax assets		**11,169**	1,769
Financial assets at fair value through other comprehensive income		**1,435**	1,510
Financial assets at fair value through profit or loss		**8,571**	8,332
		434,716	426,780
Current assets			
Inventories		**115,330**	104,139
Trade and bill receivables	10	**172,461**	179,671
Prepayments and deposits		**28,743**	29,672
Tax recoverable		**2,602**	3,992
Bank deposits with maturity over 3 months from date of deposits		**202**	201
Cash and cash equivalents		**285,422**	275,047
		604,760	592,722
Total assets		**1,039,476**	1,019,502
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**51,864**	52,514
Reserves		**618,781**	300,705
Total equity		**670,645**	353,219
LIABILITIES			
Non-current liabilities			
Amount due to a purchaser of a subsidiary	12	**-**	154,065
Lease liabilities		**1,371**	1,885
Deferred income tax liabilities		**890**	1,688
		2,261	157,638
Current liabilities			
Trade and bill payables	11	**99,734**	136,842
Other payables and accruals		**89,519**	102,802
Contract liabilities		**4,851**	4,904
Current income tax liabilities		**26,449**	30,422
Borrowings		**141,357**	158,728
Amount due to a purchaser of a subsidiary	12	**-**	69,692
Lease liabilities		**4,660**	5,255
		366,570	508,645
Total liabilities		**368,831**	666,283
Total equity and liabilities		**1,039,476**	1,019,502

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 of the Company 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 adopted by the Group

The following amendments to existing standards have been adopted by the Group for the first time for the financial year beginning 1st April, 2021:

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

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

2. Basis of preparation (Continued)

(b) Interpretation and amendments to existing standards have been issued but not effective and have not been early adopted by the Group.

A number of interpretation and amendments to existing standards have been issued but not effective for annual periods beginning on 1st April, 2021 and have not been applied in preparing these consolidated financial statements.

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Update Reference to the Conceptual Framework	1st January, 2022
Amendments to HKAS 16	Proceeds before Intended Use	1st January, 2022
Amendments to HKAS 37	Onerous Contracts - Costs of Fulfilling a Contract	1st January, 2022
Annual Improvements Project	Annual Improvements 2018-2020 Cycle	1st January, 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations	1st January, 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1st January, 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1st January, 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1st January, 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	1st January, 2023
HKFRS 17 and its amendments	Insurance Contracts	1st January, 2023
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
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	To be determined

The Group will adopt the 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, 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:

	2022	2021
	HK$'000	HK$'000
At a point in time		
Sales of packaging materials, labels and paper products, including environmental friendly paper products	**1,026,182**	1,036,063
Others	**22,518**	21,414
	1,048,700	1,057,477

(b) Segment information

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

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

3. Revenue and segment information (Continued)

(b) Segment information (Continued)

(i) The segment results for the year ended 31st March, 2022 and 2021 are as follows:

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
Year ended 31st March, 2022				
Segment revenue	730,497	268,094	166,220	1,164,811
Inter-segment revenue	(1,312)	(114,799)	-	(116,111)
Revenue from external customers at a point in time	729,185	153,295	166,220	1,048,700
Operating profit/(loss)	366,676	7,291	(6,546)	367,421
Finance income	326	139	-	465
Finance costs	(16,093)	(1,292)	(160)	(17,545)
Income tax credit/(expense)	9,270	(2,138)	-	7,132
Profit/(loss) for the year	360,179	4,000	(6,706)	357,473
Other information :				
Additions to property, plant and equipment	107,836	36,148	3,487	147,471
Addition to investment property	15,703	-	-	15,703
Depreciation	23,944	12,775	11,567	48,286
Capital expenditure	84,236	35,819	3,512	123,567
Provision for impairment of property, plant and equipment	34,561	-	3,416	37,977

3. Revenue and segment information (Continued)

(b) Segment information (Continued)

(i) The segment results for the year ended 31st March, 2022 and 2021 are as follows (Continued) :

	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
Provision for impairment of property, plant and equipment	-	-	784	784

(ii) An analysis of the Group's assets and liabilities by segment as at 31st March, 2022 and 2021 is as follows:

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
As at 31st March, 2022				
Segment assets	740,637	192,887	105,952	1,039,476
Segment liabilities	269,130	81,388	18,313	368,831
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

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

	2022	2021
	HK$'000	HK$'000
Net exchange losses	**(14,162)**	(29,733)
(Losses)/gains on disposals of property, plant and equipment	**(1,219)**	10,968
Gains on disposals of right-of-use assets	**6,566**	-
Gain on very substantial disposal of a subsidiary (Note 14)	**483,315**	-
Net fair value gains on financial assets at fair value through profit or loss	**239**	214
Government grants	**10,159**	18,115
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	**(20,853)**	(3,900)
Others	**4,736**	(739)
	468,781	(65,852)

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 14.

5. Operating profit/(loss)

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

	2022	2021
	HK$'000	HK$'000
Employees benefit expense (including directors' emoluments and excluding severance payment)	**358,291**	345,124
(Write back provision)/provision for inventories obsolescence	**(4,703)**	9,718
Depreciation of property, plant and equipment	**41,467**	46,786
Depreciation of investment properties	**510**	-
Depreciation of right-of-use assets	**6,309**	6,080
Provision for impairment of property, plant and equipment	**37,977**	784

6. Finance (costs)/income – net

	2022	2021
	HK$'000	HK$'000
Finance income		
Interest income on bank deposits	**465**	1,711
Imputed interest income from amount due to a purchaser of a subsidiary (Note 12)	**-**	14,361
	465	16,072
Finance costs		
Interest expense on bank borrowings	**(6,042)**	(3,948)
Interest expenses on lease liabilities	**(224)**	(258)
Interest expenses on under-provision for income tax	**(3,335)**	-
Imputed interest expense from amount due to a purchaser of a subsidiary (Note 12)	**(7,944)**	(6,417)
	(17,080)	5,449

7. 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% (2021: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2019/2020. The first HK$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The subsidiaries established and operated in the PRC are subject to the PRC Corporate Income Tax at rate of 25% during the year (2021: 25%).

The subsidiaries established in Singapore and Malaysia are subject to Singapore Corporate Income Tax at a rate of 17% (2021: 17%) and Malaysia Corporate Income Tax at a rate of 24% (2021: 24%) respectively.

The amount of income tax (credited)/charged to the consolidated income statement represents:

	2022	2021
	HK$'000	HK$'000
Current income tax expense		
- Hong Kong Profits Tax	**-**	349
- PRC Corporate Income Tax	**1,841**	4,655
Under provision in prior years	**1,154**	-
Withholding tax on dividend declared in the PRC	**-**	4,187
	2,995	9,191
Deferred income tax	**(10,127)**	(3,930)
Income tax (credit)/expense	**(7,132)**	5,261

8. Earnings/(losses) per share

Basic

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

	2022	2021
Profit/(loss) attributable to the owners of the Company (HK$'000)	**357,473**	(98,525)
Weighted average number of ordinary shares in issue ('000)	**524,894**	525,135
Basic earnings/(losses) per share (HK cents)	**68.10**	(18.76)

Diluted

Diluted earnings/(losses) per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. For the year ended 31st March, 2022 and 31st March, 2021, diluted earnings/(losses) per share equals basic earnings/(losses) 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, 2022 (2021 : Nil).

	2022	2021
	HK$'000	HK$'000
Interim dividend for the year ended 31st March, 2022 of HK1 cent per fully paid share (2021 : Nil)	**5,251**	-
Special dividend for the year ended 31st March, 2022 of HK10 cents per fully paid share (2021 : Nil)	**52,514**	-
	57,765	-

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:

	2022	2021
	HK$'000	HK$'000
1 to 90 days	**154,978**	147,990
91 to 180 days	**18,001**	30,837
181 to 365 days	**6,843**	819
Over 365 days	**7,883**	11,593
	187,705	191,239
Less: loss allowance	**(15,244)**	(11,568)
	172,461	179,671

11. Trade and bill payables

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

	2022	2021
	HK$'000	HK$'000
1 to 90 days	**96,051**	125,582
91 to 180 days	**2,113**	7,589
181 to 365 days	**713**	163
Over 365 days	**857**	3,508
	99,734	136,842

12. Amount due to a purchaser of a subsidiary

	2022 HK$'000	2021 HK$'000
Non-current portion		
Amount due to a purchaser of a subsidiary (Note a)	-	154,065
Current portion		
Amount due to a purchaser of a subsidiary (Note b)	-	69,692
	-	223,757

Notes:

(a) Pursuant to 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$7,944,000 for the year ended 31st March, 2022 (2021: HK$6,417,000). 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 shareholders' 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 was recognised as part of the consideration received when the disposal of the subsidiary was completed on 8th June, 2021.

Details of the disposal is disclosed in Note 14.

13. Acquisition of a subsidiary

Assets acquisition of Legend Power International Limited ("Legend Power")

On 1st June, 2021, the Group completed the acquisition of 100% equity interest of Legend Power at a cash consideration of approximately HK$15,647,000. Legend Power is principally engaged in property investment in Hong Kong and holds a property in Hong Kong.

As the above newly acquired company did not operate any business prior to the date of acquisition, the Group considers the nature of the acquisition as acquisition of assets in substance and the consideration should be attributable to the individual assets acquired and liabilities assumed.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date.

	Total HK$'000
Purchase consideration	
Fair value of cash consideration	15,647
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Investment property	15,703
Prepayments, deposits and other receivable	1
Other payables and accruals	(57)
Net assets acquired	15,647

The fair values of acquired deposits and other receivables arising from the above acquisition approximate their respective carrying values.

14. 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$89,408,000 for year ended 31st March, 2021. 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$308,378,000).

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.

14. Completion of very substantial disposal of a subsidiary (Continued)

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

The gain on disposal arising from the Transaction 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	378,070
	544,156
Less:	
Tax and related expenses in connection with the Disposal	(32,536)
	511,620
Less:	
Carrying amount of remaining assets and liabilities of Starlite Shenzhen as at Completion Date	(28,305)
Gain on disposal, net	483,315

15. Events after the reporting period

After the outbreak of the Coronavirus Disease 2019 ("COVID-19") in Shanghai region in March, a series of precautionary and control measures have been and continued to be implemented across the PRC. In Suzhou, subsequent to 31st March,2022, the Movement Control Order was commenced on 11th April, 2022 and ended on 24th April, 2022. An indirect wholly-owned subsidiary of the Company – Starlite Printers (Suzhou) Co., Ltd locating in Suzhou was initially suspended and have been substantially restored to the normal operation capacity at the date on which this set of financial statements were authorized for issue. The Group will pay close attention to the development of the COVID-19 and evaluate its impact on the results of operations, financial position, and cash flows of the Group.

RESULTS

For the year ended 31st March, 2022, the Group's revenue decreased by 1% to approximately HK$1,049 million. A profit of approximately HK$357 million was recorded, compared to a loss of approximately HK$99 million last year.

The performance of the Group during this period was 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 appreciation of Renminbi by approximately 4%, the exchange loss recorded, and the sharp rise in major commodity prices, logistics and labour-related costs in the period have affected the overall performance.

The global economy seemed to be on a path of recovery during the reporting period; however, the macro environment fluctuated sharply in the second half of the year. Except for the once-in-a-century COVID-19 pandemic and the mutation of the highly contagious Omicron virus strain that swept the world, the global supply chain continued to suffer from uninterrupted disruptions, the geopolitics in Eastern Europe was unstable, the development prospects of different economies showed a trend of differentiation, and the inflation in the United States and Europe has risen to the highest level in more than 40 years, all of which greatly increased the operational difficulties and pushed up the operating costs of enterprises. Given the unprecedented shock to the global economy, the performance of the four plants in the PRC was varied during the period. The Guangzhou and Shaoguan plants suffered from a loss, while the Shenzhen plant has recorded a one-off gain upon the completion of the equity transfer. On the other hand, the Suzhou plant actively seized the opportunities from market recovery and recorded an increase in sales and a turnaround from loss to profit. Sales have increased and losses have narrowed for the ASEAN region.

In light of the severe and complex international environment and the strict pandemic control measures in mainland China, the Group has flexibly adjusted its strategic targets and formulated its operation tactics in advance in order to maintain its market competitiveness. On the one hand, the Group further established long-term, in-depth, and stable strategic partnerships with a number of international customers at home and abroad and adhered to the core values of offering high-quality and customer-oriented services. On the other hand, by grasping the development opportunities of consumption upgrade and industries integration in mainland China, the Group continued to make innovations and breakthroughs, accelerated the development of informatized, automated and smart manufacturing, and actively assumed social responsibilities, so as to make prompt responses when the market fully recovered and align with the 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 the payment of a final dividend for the year ended 31st March, 2022 (2021: Nil). An interim dividend of HK1 cent and a special dividend of HK10 cents per share for the six months ended 30th September, 2021 (30th September, 2020 : Nil) were paid to shareholders on 7th January, 2022.

BUSINESS REVIEW AND PROSPECTS

Overview

During the period under review, the COVID-19 pandemic, lasting for more than two years, continued to have a widespread impact on the global economy. With the accumulation of disease control experience in various countries and the increasing vaccination rate, the global economy was improved, and the customer confidence and retail activities gradually recovered in the first half of the year. However, the sudden outbreak of the Omicron variant in the second half of the year has cast a shadow over the stable and positive economic conditions, and the more extensive anti-pandemic lockdown measures adopted by mainland China have slowed down its economic activities and may lead to new bottlenecks in the global supply chain. In addition, the warfare between Russia and Ukraine and the resulting sanctions imposed by various countries on Russia have led to continuous high commodity prices and imbalance between supply and demand, and inflation in many economies has raised significantly. In the face of more severe, broader, and more sustained pricing pressure, many countries have tightened their monetary policies. In general, the risks to the economic outlook have increased sharply, posing great challenges to the operation of enterprises. With its excellent reputation in the industry, the Group has won the recognition of many domestic and foreign strategic partners for its good performance and delivery commitments, forming the Group's unique advantage in quality customer resources, and laying a solid foundation for the long-term, stable, and healthy development of the Group.

Meanwhile, to enhance operating efficiency and risk management capability, the Group is actively promoting the upgrades and transformations of its internal management system as well as the supply chain reform. With the development goals of reducing costs, improving efficiency, and increasing add-on value, the Group has achieved interim results amidst hardships. The plants in Guangzhou and Shaoguan of the Group were loss-making due to the impacts on operating costs brought by business integration, whilst the plant in Shenzhen has recorded a one-off gain. In general, revenue from the southern China operation was declined but profit was still recorded through the measures to increase income and reduce expenditure.

Despite the marginal profit of the eastern China operations have been lowered due to the soaring paper prices and the additional outsourcing and labour expenses affected by labour shortage, the eastern China operation has seen a growth in the year. On the other hand, for the Southeast Asia operation, revenues have increased and losses have 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 volatility and uncertainty of the macro business environment, the Group remained highly vigilant and formulated a long-term development blueprint as early as possible to consolidate its leading position in the industry and seize the opportunities to accelerate the integration of business and resources in the Greater China region, such that the overall operating efficiency of the Group could be enhanced. 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 warehouse in Shaoguan has started its operation in the current 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」), and the 32nd Hong Kong Print Awards - Gold Award (Greeting / Invitation Card Printing), Bronze Award (Creative Products) and Merit Award (Red Packet Printing) (第 32 屆香港印刷大獎 - 金獎（賀卡 / 請柬印刷）、銅獎（創意產品）及優異獎（利是封）).

Southern China Operation

During the year, the Group's southern China operation remained a profit. Although the COVID-19 pandemic has weakened the demand in the global retail market, it has also opened up a new economic model to restore growth in customer orders for children's books and board games. 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 continuous increase in the prices of major raw materials, the dual control of energy consumption, the imbalance of labour supply caused by the lockdown of the areas affected by the pandemic, the multiple increase in logistics costs led by the widespread delays or even interruption of shipping, and the slow-moving inventory have caused a massive impact on operations and management, and thus the profit margin was under pressure.

Nonetheless, the Group timely developed its vision of "being grateful and sustainable (惜福感恩、永續經營)", grasped the opportunity to invest in future development, and accelerated the integration of 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 modernized smart Shaoguan plant has also officially commenced in its production. The advanced Heidelberg and Manroland six-colour offset presses as well as the full-process smart manufacturing and logistics system were introduced respectively to comprehensively enhance the diversified production capacity in the southern China region and meet the customers' stringent requirements for innovative products and high-end quality. In addition, with the full coverage of 5G network, the Group has built a comprehensive intelligent manufacturing network through innovative research and development, supply chain reform, smart manufacturing, information construction, value flow optimisation and other measures to help customers expand their market share and enhance brand influence. It will also continue to create value for customers and make the best preparation for business opportunities in the post-pandemic new economy and export business. During the period, the plant in Guangzhou plant obtained 12 utility model patents, including the intelligent commissioning and control system for the fully automatic pressed powder hemming machine (全自動粉餅包邊機智能調試控制系統), the automatic assembly line labelling machine, the automatic cutting machine and the intelligent pair-up machine. In addition, the plant in Shaoguan was among the first batch of enterprises to set up a baby care room in the high-tech development zone, and its care for colleagues was highly praised by the local government and colleagues.

As a result of the pandemic, the sales of the Group's innovative, environmentally friendly brand TEAM GREEN® has recorded a decrease. The Group actively exploited its new product series and increased publicity during the period, which included but not limited to launching its Le Petit Prince Series, selling in the Eslite Bookstore in Causeway Bay, the Fortress stores and the M+ Museum, interviewing with "Decoding the Greater Bay Area" (大灣區解碼), a programme produced by TVB Finance & Information Channel, participating in FAO Schwarz (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 16th 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 turned around from loss to profit. At the same time, due to the shortage of chips, orders from some high-tech customers fell short of expectations. The improvement of consumer sentiment in Europe and the United States led to an increase in revenue from greeting card products. The management team also seized the opportunities arising from the consumption upgrade and structural adjustment of the retail market in mainland China, strengthened the all-round, multi-dimensional and in-depth cooperation with many first-class brand customers in mainland China, and strived for a higher share of orders. It also created potential market opportunities for new business expansion, and comprehensively reached out to customers in cosmetic, daily necessities and food industries, which boosted a growth in domestic sales. In addition, the global safety verification for BRCGS food packaging has been successfully approved, which was conducive in exploring the huge food packaging market in the eastern China region.

On the other hand, the management team is actively implementing a number of operational upgrade and optimisation measures to improve operational flexibility and diversified manufacturing capabilities, laying a solid foundation for the long-term development of the core business. For example, the most advanced equipment in the packaging industry, such as 10-color

UV flat sheet cold foil offset printing machine (10 色 UV 對開平張冷燙膠印機), HR-1200FC automatic box folding machine (HR-1200FC 自動折盒機), 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), was introduced 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. In addition, the team has formulated medium and long-term information strategic goals and is taking the Suzhou Team Green as a pilot to implement real-time machine data collection in digital transformation. Through the cooperation with Jinan University, the team has jointly developed and applied Internet of Things (IoT) technology to extract machine production data, used big data to promote lean production, and created an integrated information management system, which effectively improved the profitability, cost and expense control and the per capita output value of the eastern China region. 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.

South East Asia Operation

During the period, the Southeast Asia operation registered an increase in revenue and a reduction in loss. Given the spread of the pandemic, the prolonged lockdown measures implemented in Malaysia has led to the increase in raw material and logistics costs, high suspension costs, and the lockdown restrictions on the entry of foreign population has led to labour shortage in the country and temporarily impeded the business development in the ASEAN market. Nevertheless, as a forward-looking international production layout of the Group, the operation in Singapore and Malaysia not only provides customers with convenient and nearby services, but also effectively mitigates the risks brought by international economic and trade frictions. The management team 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).

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, 2022, the Group's cash and bank balances and short-term bank deposits amounted to approximately HK$286 million.

During the year under review, the interest expense of the Group amounted to approximately HK$18 million (of which including imputed interest expenses from amount due to a purchaser of a subsidiary of approximately HK$8 million) compared to approximately HK$11 million recorded last year.

As at 31st March, 2022, the Group had a working capital surplus of approximately HK$238 million compared to a working capital surplus of approximately HK$84 million as at 31st March, 2021. The Group was in net cash position as at 31st March, 2022 (2021 : net gearing ratio of 33%), based on short-term and long-term bank borrowings, lease liabilities and bills payables net of bank balance and cash of approximately HK$137 million (net cash) (2021 : HK$116 million (net debt)) and shareholders' equity of approximately HK$671 million (2021 : HK$353 million). The Group's gearing ratio as at 31st March, 2022 was 22% (2021 : 111%), based on short-term and long-term bank borrowings, lease liabilities and bills payables of approximately HK$148 million (2021 : HK$391 million) and shareholders' equity of approximately HK$671 million (2021 : HK$353 million).

CHARGE ON ASSETS

As at 31st March, 2022, certain assets of the Group with an aggregate book carrying value of approximately HK$50 million (31st March, 2021: HK$53 million) were pledged to secure the banking facilities of the Group.

EXCHANGE RATE EXPOSURE

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

HUMAN RESOURCES DEVELOPMENT

Currently the Group has approximately 3,000 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
— Donation to flooding disaster in PRC
— Support to Po Leung Kuk activities

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) at the same time as the publication of the 2022 annual report.

LOOKING AHEAD

In the World Economic Outlook report released in April 2022, the International Monetary Fund (IMF) lowered the global growth forecast for 2022 and 2023 to 3.5%, which has been lowered by 0.9 and 0.3 percentage points, respectively, as compared with the forecast in January 2022. Beyond 2023, global economic growth is forecast to slow down and decline to about 3.3% over the medium term. Unusually high uncertainty surrounds this forecast, and downside risks to the global economic outlook dominate, including from a possible worsening of the warfare between Russia and Ukraine, an escalation of sanctions on Russia, challenges faced by China as its strict zero-COVID strategy is tested by Omicron, a possible emergence of a new, more virulent virus strain, and higher interest rates, rising inflationary pressures, energy and food shortages resulting from the tightening of monetary policies by many central banks, all of which would further weigh on the economic outlook.

In light of the uncertain economic outlook, the management remained highly vigilant, closely monitored and evaluated the impact of external factors such as the development of the pandemic and geopolitical risks on the Group. It also actively adopted a number of measures to broaden sources of income and reduce expenditures, focused on serving quality customers, and fully grasped the opportunities from structural reform of the market and industry, so as to embrace digital transformation, move towards a green manufacturing model, and strive to create long-term sustainable value for shareholders. 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.

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, 2022.

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, 2022 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 draft 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

During the year ended 31st March, 2022, the Company repurchased a total of 6,500,000 ordinary shares of par value HK$0.10 each in the share capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with the aggregate consideration paid (before expenses) amounting to HK$2,078,350. All the shares repurchased were subsequently cancelled. As at 31st March, 2022, the total number of shares of the Company in issue was 518,635,288.

Particulars of the share repurchases are as follows:

Date	Number of Shares Repurchased	Price per Share		Aggregate Consideration (before expenses)
		Highest	Lowest	
		(HK$)	(HK$)	(HK$)
December 2021	500,000	0.340	0.335	167,850
January 2022	2,000,000	0.335	0.320	655,500
February 2022	2,000,000	0.330	0.310	644,400
March 2022	2,000,000	0.310	0.295	610,600
Total :	6,500,000			2,078,350

Note :

The Company repurchased a total of 4,000,000 shares at prices ranging from HK$0.280 to HK$0.295 with the aggregate consideration of HK$1,152,100 in April 2022 which were subsequently cancelled on 10th June, 2022. As at the date of this announcement, the total number of shares of the Company in issue is 514,635,288.

The Directors considered that such repurchases would enhance the earnings per share and increase the net asset value per share attributable to the shareholders.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the year and up to the date of this announcement.

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, 2022 except for the deviations as mentioned below.

Code Provision C.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 C.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 C.1.6 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 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, 2022.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 15th August, 2022 to Thursday, 18th August, 2022 (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 Thursday, 18th August, 2022, 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 Friday, 12th August, 2022.

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, 2022 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, 2022

As at the date of this announcement, the Executive Directors of the Company are Mr. Lam Kwong Yu, Mr. Tin Shing, Mr. Poon Kwok Ching and Mr. Wong Wai Kwok, 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.