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

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ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2017

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, 2017, together with the unaudited comparative figures for the corresponding period in the year 2016, as follows:

Condensed Consolidated Income Statement
For the six months ended 30th September, 2017

		Unaudited Six months ended 30th September,	
	Note	**2017**	2016
		HK$'000	HK$'000
Revenue	3	**879,909**	821,299
Cost of sales		**(714,898)**	(657,546)
Gross profit		**165,011**	163,753
Other (losses)/gains – net	5	**(1,000)**	7,622
Impairment of property, plant and equipment		**-**	(10,000)
Selling and distribution costs		**(46,421)**	(47,425)
General and administrative expenses		**(94,665)**	(84,719)
Operating profit	6	**22,925**	29,231

* *For identification purpose*

Condensed Consolidated Income Statement (Continued)
For the six months ended 30th September, 2017

	Note	Unaudited Six months ended 30th September, 2017 HK$'000	2016 HK$'000
Finance income		**220**	214
Finance costs		**(3,669)**	(3,658)
Finance costs – net	7	**(3,449)**	(3,444)
Profit before income tax		**19,476**	25,787
Income tax expense	8	**(9,902)**	(13,597)
Profit for the period, attributable to the owners of the Company		**9,574**	12,190
Earnings per share attributable to the owners of the Company during the period			
(expressed in HK cents per share)	9		
- Basic		**1.82**	2.32
- Diluted		**1.82**	2.32
Dividends	10	**-**	5,251

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30th September, 2017

	Unaudited Six months ended 30th September,	
	2017	2016
	HK$'000	HK$'000
Profit for the period	**9,574**	12,190
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Increase in fair value of available-for-sale financial assets	**156**	13
Currency translation differences	**15,826**	(13,201)
Other comprehensive income/(loss) for the period, net of tax	**15,982**	(13,188)
Total comprehensive income/(loss) for the period, attributable to the owners of the Company	**25,556**	(998)

Condensed Consolidated Statement of Financial Position
As at 30th September, 2017

	Note	Unaudited As at 30th September, 2017 HK$'000	Audited As at 31st March, 2017 HK$'000
ASSETS			
Non-current assets			
Land use rights		**21,746**	21,346
Property, plant and equipment		**344,921**	336,360
Prepayments for non-current assets		**7,960**	6,825
Deferred income tax assets		**7,470**	5,620
Available-for-sale financial assets		**14,258**	10,636
		396,355	380,787
Current assets			
Inventories		**144,879**	118,107
Trade and bill receivables	11	**432,604**	244,125
Prepayments and deposits		**32,154**	26,905
Tax recoverable		**613**	4,150
Bank deposits with maturity over 3 months from date of deposits		**4,885**	14,106
Cash and cash equivalents		**261,258**	250,334
		876,393	657,727
Total assets		**1,272,748**	1,038,514
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**52,514**	52,514
Reserves	13	**516,939**	491,383
Total equity		**569,453**	543,897
LIABILITIES			
Non-current liabilities			
Borrowings		**78,811**	72,457
Deferred revenue		**1,192**	1,249
Deferred income tax liabilities		**8,456**	6,264
		88,459	79,970
Current liabilities			
Trade and bill payables	12	**253,967**	131,338
Current income tax liabilities		**28,868**	23,095
Borrowings		**146,033**	113,466
Accruals and other payables		**185,751**	146,540
Deferred revenue		**217**	208
		614,836	414,647
Total liabilities		**703,295**	494,617
Total equity and liabilities		**1,272,748**	1,038,514

Notes:

1. **Basis of preparation**

This unaudited condensed consolidated interim financial information for the six months ended 30th September, 2017 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, 2017, 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, 2017 as described in those annual financial statements except that income tax is accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Adoption of amendments to existing standards and interpretation

The following amendments to standards and annual improvements are mandatory for the first time for the financial year beginning 1st April, 2017 and currently relevant to the Group:

HKAS 1 Amendment	Disclosure initiative
HKAS 16 and HKAS 38 Amendment	Clarification of acceptable methods of depreciation and amortisation
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer plants
HKAS 27 Amendment	Equity method in separate financial statements
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment entities: Applying the consolidation exception
HKFRS 11 Amendment	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferral accounts
Annual improvements project	Annual improvements 2012-2014 cycle

The adoption of these amended standards does not have any significant impact to the results of operations and financial position of the Group.

2. Accounting policies (Continued)

(b) New standards and amendments to existing standards not yet effective

The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1st April, 2017 and have not been early adopted by the Group :

		Effective for annual periods beginning on or after
HKAS 7 Amendment	Disclosure Initiative	1st January, 2017
HKAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealised Losses	1st January, 2017
HKAS 40 Amendment	Transfers of Investment Property	1st January, 2018
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions	1st January, 2018
HKFRS 4 Amendment	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1st January, 2018
HKFRS 9	Financial instruments	1st January, 2018
HKFRS 10 and HKAS 28 Amendment	Sale or contribution of assets between an investor and its associate or joint venture	1st January, 2019
HKFRS 15	Revenue from contracts with customers	1st January, 2018
HKFRS 16	Leases	1st January, 2019
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration	1st January, 2018
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1st January, 2019
Annual improvements project	Annual improvements 2014-2016 cycle	1st January 2017 or 1st January 2018, as appropriate

The directors of the Company are in the process of assessing the financial impact of the adoption of the above new standards and amendments to existing standards.

3. Revenue

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. Revenues is analysed as follows :

	Unaudited Six months ended 30th September,	
	2017	2016
	HK$'000	HK$'000
Sales of packaging materials, labels, and paper products, including environmentally friendly paper products	**865,951**	808,500
Others	**13,958**	12,799
	879,909	821,299

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, 2017 and 2016 are as follows:

	Southern China	**Eastern China**	**South East Asia**	**Group**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Six months ended 30th September, 2017 (Unaudited)				
Segment revenue	711,943	171,417	81,636	964,996
Inter-segment revenue	(4,262)	(80,825)	-	(85,087)
Revenue from external customers	707,681	90,592	81,636	879,909
Operating profit/(loss)	22,306	(5,445)	6,064	22,925
Finance income	141	68	11	220
Finance costs	(2,897)	(676)	(96)	(3,669)
Income tax expense	(8,370)	-	(1,532)	(9,902)
Profit/(loss) for the period	11,180	(6,053)	4,447	9,574
Other information :				
Additions to property, plant and equipment	20,649	5,018	553	26,220
Depreciation and amortisation for the period	17,668	5,871	3,950	27,489
Capital expenditure	20,786	6,016	553	27,355

4. Segment information (Continued)

(i) The segment results for the six months ended 30th September, 2017 and 2016 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, 2016 (Unaudited)				
Segment revenue	677,652	151,222	70,803	899,677
Inter-segment revenue	(3,964)	(74,414)	-	(78,378)
Revenue from external customers	673,688	76,808	70,803	821,299
Operating profit/(loss)	51,979	(27,029)	4,281	29,231
Finance income	69	110	35	214
Finance costs	(2,696)	(726)	(236)	(3,658)
Income tax expense	(13,145)	-	(452)	(13,597)
Profit/(loss) for the period	36,207	(27,645)	3,628	12,190
Other information :				
Additions to property, plant and equipment	21,492	2,678	1,595	25,765
Depreciation and amortisation for the period	17,316	6,633	3,720	27,669
Capital expenditure	22,777	873	1,595	25,245
Impairment of property, plant and equipment	-	10,000	-	10,000

4. Segment information (Continued)

(ii) An analysis of the Group's assets and liabilities by segments as at 30th September, 2017 and 31st March, 2017 is as follows:-

	Southern China	**Eastern China**	**South East Asia**	**Group**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
As at 30th September, 2017				
Segment assets	897,608	198,796	176,344	1,272,748
Segment liabilities	535,234	136,179	31,882	703,295

	Southern China	**Eastern China**	**South East Asia**	**Group**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
As at 31st March, 2017				
Segment assets	707,140	159,628	171,746	1,038,514
Segment liabilities	386,571	75,688	32,358	494,617

5. Other (losses)/gains - net

	Unaudited Six months ended 30th September,	
	2017	2016
	HK$'000	HK$'000
Other (losses)/gains – net		
Net exchange (losses)/gains	**(5,314)**	1,599
Net (loss)/gain on disposal of property, plant and equipment	**(252)**	1,610
Others	**4,566**	4,413
	(1,000)	7,622

6. Operating profit

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

	Unaudited Six months ended 30th September,	
	2017	2016
	HK$'000	HK$'000
Employment costs (including directors' emoluments)	**258,631**	257,930
Depreciation of property, plant and equipment and amortisation of land use rights	**27,489**	27,669
Provision/(write-back of provision) for impairment of trade receivables – net	**2,799**	(1,033)

7. Finance costs – net

	Unaudited Six months ended 30th September,	
	2017	2016
	HK$'000	HK$'000
Finance costs		
Interest expense on bank borrowings	**3,669**	3,658
Finance income		
Interest income from bank deposits	**(220)**	(214)
	3,449	3,444

8. Income tax expense

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

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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 (2016: 25%).

The subsidiaries established in Singapore and Malaysia are subject to Singapore Corporate Income Tax at a rate of 17% (2016: 17%) and Malaysia Corporate Income Tax at a rate of 24% (2016 : 24%) respectively.

	Unaudited Six months ended 30th September,	
	2017	2016
	HK$'000	HK$'000
Current income tax expense		
- Hong Kong profits tax	**4,374**	4,550
- Mainland China Corporate Income Tax	**3,365**	7,361
- Singapore Corporate Income Tax	**425**	452
- Malaysia Corporate Income Tax	**1,107**	-
	9,271	12,363
Deferred income tax	**631**	1,234
	9,902	13,597

9. Earnings per share

Basic

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

	Unaudited Six months ended 30th September,	
	2017	2016
Profit attributable to owners of the Company (HK$'000)	**9,574**	12,190
Weighted average number of ordinary shares in issue ('000)	**525,135**	525,135
Basic earnings per share (HK cents)	**1.82**	2.32

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. For the period ended 30th September, 2016 and 30th September, 2017, diluted earnings per share equals basic earnings per share as there were no dilutive potential shares.

10. Dividends

	Unaudited Six months ended 30th September,	
	2017	2016
	HK$'000	HK$'000
Proposed interim dividends : Nil (2016: HK1 cent per share)	**-**	5,251

11. Trade and bill receivables

	Unaudited As at 30th September, 2017 HK$'000	Audited As at 31st March, 2017 HK$'000
Trade receivables	**443,647**	252,424
Less: provision for impairment of trade receivables	**(11,315)**	(8,299)
Trade receivables - net	**432,332**	244,125
Bill receivables	**272**	-
Trade and bill receivables	**432,604**	244,125

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, 2017 HK$'000	Audited As at 31st March, 2017 HK$'000
1 to 90 days	**390,720**	199,580
91 to 180 days	**34,927**	34,708
181 to 365 days	**5,503**	5,926
Over 365 days	**12,769**	12,210
	443,919	252,424
Less: provision for impairment of trade receivables	**(11,315)**	(8,299)
	432,604	244,125

12. Trade and bill payables

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

	Unaudited As at 30th September, 2017 HK$'000	Audited As at 31st March, 2017 HK$'000
1 to 90 days	**235,519**	117,185
91 to 180 days	**10,255**	6,844
181 to 365 days	**877**	365
Over 365 days	**7,316**	6,944
	253,967	131,338

13. Reserves

Movements were:

	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Investment reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
<u>Group</u>							
As at 1st April, 2017	127,796	1,792	12,160	1,832	26,209	321,594	491,383
Comprehensive income							
Profit attributable to the owners of the Company	-	-	-	-	-	9,574	9,574
Other comprehensive income							
- Increase in fair value of available-for-sale financial assets	-	-	-	156	-	-	156
- Currency translation differences	-	-	-	-	15,826	-	15,826
Total comprehensive income for the period	-	-	-	156	15,826	9,574	25,556
As at 30th September, 2017 (Unaudited)	127,796	1,792	12,160	1,988	42,035	331,168	516,939
As at 1st April, 2016	127,796	1,792	-	1,552	50,113	356,066	537,319
Comprehensive income							
Profit attributable to the owners of the Company	-	-	-	-	-	12,190	12,190
Other comprehensive income							
- Increase in fair value of available-for-sale financial assets	-	-	-	13	-	-	13
- Currency translation differences	-	-	-	-	(13,201)	-	(13,201)
Total comprehensive loss for the period	-	-	-	13	(13,201)	12,190	(998)
Transactions with owners in their capacity as owners							
Transfer to statutory reserve	-	-	5,056	-	-	(5,056)	-
Dividends paid	-	-	-	-	-	(7,877)	(7,877)
	-	-	5,056	13	(13,201)	(743)	(8,875)
As at 30th September, 2016 (Unaudited)	127,796	1,792	5,056	1,565	36,912	355,323	528,444
Representing:							
- Proposed dividend	-	-	-	-	-	5,251	5,251
- Others	127,796	1,792	5,056	1,565	36,912	350,072	523,193
As at 30th September, 2016 (Unaudited)	127,796	1,792	5,056	1,565	36,912	355,323	528,444

RESULTS

The Group recorded a revenue of approximately HK$880 million in the six months ended 30th September, 2017, an increase of 7% compared with the same period last year. Profit attributable to owners decreased by 21% to approximately HK$9.6 million.

The decline in the Group's profit was mainly attributable to: (i) increase in the Group's costs driven by the rising price of paper, the higher wages in the PRC and other additional costs, which could not be fully recovered from customers due to malignant market competition; (ii) inadequate performance of the Shaoguan plant and slower than expected recovery in the operating efficiency of the Suzhou plant; and (iii) pressure on the pricing of orders across the printing and packaging sector.

Sales to all major industries improved except those to the toys industry. Steady growth was seen in orders from the technology sector while the luxury packaging division expanded its customer base. In terms of market, North America and Europe remained the Group's top two sales destinations, each posting a growth.

The Group is strengthening the lean management programme and moving on the full implementation of Enterprise Resource Planning (ERP) in its PRC operations. The Group's newly launched subsidiary Qianhai Larsemann Intelligence System (Shenzhen) Limited is actively developing automated equipment which facilitates the Group in improving its operational efficiency and reducing its reliance on labour. On the revenue side, Team Green, the Group's eco-friendly design products brand, is expanding its sales capitalizing on new products and collaborations with brands of hit movie icons to create product series and enlarging the Group's source of revenue. Details of the Group's measures are described in the "Business Review and Prospects" section.

INTERIM DIVIDEND

In order to retain resources for the Group's future development, the Directors have resolved not to pay an interim dividend for the six months ended 30th September, 2017 (2016: HK1 cent per share).

BUSINESS REVIEW AND PROSPECTS

Hong Kong/Mainland China Operations

Overview

During the period under review, the Group managed to increase its sales in spite of the strong competition among printing and packaging companies. This was achieved as the Group continued to expand into high growth industries through proactive sales and marketing initiatives. Notwithstanding this, customers were generally more rigid on the pricing of orders in light of the prevailing uncertainties in major markets. There was less room for the Group to pass on any additional costs to customers.

On the other hand, the Group's operating costs in the PRC further increased. The price of paper, a major component in the Group's production, rose by double digits during the period under review. Moreover, the minimum wages at the Group's Shenzhen, Guangzhou and Suzhou plants rose by single digit with effect from June 2017, April 2017 and July 2017, respectively. Given customers' rigidity on the pricing of orders as well as the intense competition in the printing and packaging industry, such increases in costs could not be fully recovered from customers.

Amidst the rise in costs, the Group's Shaoguan plant experienced a slackening performance, as reflected by the occurrence of late deliveries and backlog of orders. As a result, higher outsourcing costs and airfreight charges were incurred by the Shaoguan plant to meet delivery schedules. The Suzhou operation showed gradual improvement following the strengthening actions taken by the new management team. However, its recovery pace was slower than expected and stockpiling of orders and relatively higher labour costs were recorded.

The Group is taking a multi-pronged approach to improve its profitability and revenue. Steps are being taken to strengthen the lean management programme in its four Mainland plants, supported by the implementation of Enterprise Resource Planning (ERP) and Manufacturing Execution Systems (MES) to integrate the manufacturing, purchasing, sales, and accounting functions to increase their operating efficiency. In addition, Qianhai Larsemann Intelligence System (Shenzhen) Limited, the newly-formed subsidiary specializing in intelligent automation, is developing new custom-made machinery and automated equipment primarily for the Group's internal use. The management is hopeful that such effort would help enhance the operational efficiency of the Group's manufacturing plants and reduce their reliance on labour.

Spearheading the original design manufacturing (ODM) and original brand manufacturing (OBM) businesses, Team Green, the Group's eco-friendly design products brand, is expanding its business through a joint effort with Insight Editions, an international company known for lavishly illustrated books on arts, entertainment and history. Named IncrediBuilds, the newly launched 3D wooden puzzle collection comprises do-it-yourself, customizable, freestanding models, targeting the United States and European markets. Team Green is also integrating new features such as mechanics into its products while expanding its distribution network in Mainland China.

Moving forward, the management believes the second half of the financial year will remain challenging as there are no clear signs on the price trend of paper while competition in the printing and packaging industry remains intense. Taking steps to improve the Group's performance, the management is mindful that the success of the Group rests on its innovativeness and proficiency as well as its adaptability to challenges.

Southern China Operation

The Group's southern China operation recorded an increase in revenue but a decline in profit during the six months ended 30th September, 2017. Its profit margin was reduced by the higher price of paper and higher wages which could not be fully recovered from customers. Moreover, the Shaoguan plant experienced a slackening of operational efficiency which resulted in higher outsourcing costs and airfreight charges being incurred. Notwithstanding this, the effort by the Shaoguan plant in automation has been recognized by the government authorities in Shaoguan, as reflected by a subsidy of RMB3 million granted to the Shaoguan plant for making automated equipment and conducting research on automation.

The printing and packaging division received more orders from major industries except toys. Paper products and greeting cards generated a higher revenue with children's books maintaining a healthy growth. Luxury packaging saw a rise in orders as the division expanded its customer base.

Higher sales were recorded by the original design manufacturing (ODM) and original brand manufacturing (OBM) businesses during the first half. Team Green, the Group's eco-friendly design products brand, successfully developed new products on its own as well as through collaborations with brands of hit movie icons to create product series. It attended the Hong Kong Gifts & Premium Fair 2017 at Hall of Fine Designs, organized by the Hong Kong Trade Development Council in April, showcasing its full collection of 3D puzzles including the latest IncrediBuilds collection and JIGZLE® furniture series. The team also attended Design Tokyo at Giftex trade fair in July as part of its effort to boost profile and develop business opportunities.

During the period under review, Team Green received the Corporate Group Merit Award of Hong Kong Smart Design Award 2017 from The Hong Kong Exporter's Association.

Eastern China Operation

The eastern China operation recorded an increase in revenue and narrowed its loss during the period under review. Strengthening actions taken by the new management team resulted in gradual improvement in the operational efficiency of the Suzhou plant, which mitigated the impact of higher price of paper and higher wages. Nonetheless, the turnaround pace was slower than expected and the cost efficiency of the eastern China operation has room for improvement.

Both printing and packaging and the greeting cards businesses achieved an increase in sales. However, specialty printing suffered a decline in revenue due to intense market competition. Growth in domestic business was recorded as international brands improved their sales to China.

Moving forward, the eastern China operation will continue to target multinational customers and established Chinese enterprises and enlarge its clientele in growth sectors to reinforce its leading position and enhance its profitability.

Southeast Asia Operation

The southeast Asia operation recorded an increase in revenue and profit during the period under review. With the factory in Johor, Malaysia taking over all production from Singapore, the southeast Asia operation was able to take advantage of the lower costs in Malaysia to record a higher profit. The change in product mix helped the southeast Asia operation to cushion the impact of rising paper cost while the tapping of luxury packaging business yielded higher profit margins.

Moving forward, the southeast Asia operation will utilize the Group’s intelligent automation technology to increase its competitive advantages. Moreover, it will strive to expand its sales and customer base in markets such as Australia, New Zealand and ASEAN countries, and explore the feasibility of developing the ODM and OBM businesses.

In July, Starlite Printers (Far East) Pte Ltd which runs the southeast Asia operation won the SME 100 Awards 2017. SME 100 is an annual recognition award program for small and medium sized enterprises (SMEs) organized by SME Magazine. The Awards identify and recognise SMEs based on a basket of quantitative and qualitative criteria with a focus on growth and resilience.

In August, Starlite Printers (Far East) Pte Ltd won the Singapore Packaging Star Award, AsiaStar Award and WorldStar Award. The Awards are an annual flagship event organised by the Packaging Council of Singapore, an industry group under the Singapore Manufacturing Federation.

Prospects

Both the Organisation for Economic Co-operation and Development ("OECD") and the International Monetary Fund ("IMF") upgraded their outlook for the global economy in their reports issued in September and October, respectively. However, both of them warned about the sustainability of the recovery, calling for policymakers to take further action. Summarizing its Interim Economic Report, the OECD said "strong, sustainable, and inclusive medium-term growth is not yet secured" and that "structural efforts need to be intensified to bolster the nascent investment recovery, to address slow productivity growth and to ensure the recovery yields benefits for all". The IMF also said in its World Economic Outlook report: "A closer look suggests that the global recovery may not be sustainable…The recovery is also vulnerable to serious risks…Policymakers need to maintain a longer-term vision and seize the current opportunity to implement the structural and fiscal reforms needed for greater resilience, productivity, and investment."

Sharing a similar view, the Group is taking action to secure long-term sustainable growth based on the strategy of "Innovation, Unconventional View, Embrace Change and Move Forward". Such actions include the active development of Team Green and Larsemann Intelligence System to diversify its source of revenue and embrace Industry 4.0. Internally, the Group is tightening the management control of the Shaoguan plant and Suzhou operation and improvement of their performance is expected in the near future. The Group will continue to reform its operations and increase its efficiency and proficiency to obtain sustainable growth.

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, 2017, the Group's cash and bank balances and short-term bank deposits amounted to approximately HK$266 million.

During the period under review, the interest expense of the Group amounted to approximately HK$3.7 million compared to approximately HK$3.7 million recorded in the same period of 2016.

As at 30th September, 2017, the Group had a working capital surplus of approximately HK$262 million compared to a working capital surplus of approximately HK$281 million as at 30th September, 2016. The Group was in net cash position as at 30th September, 2017 and 2016. The Group will continue to adopt prudent policies to maintain a healthy financial position.

CHARGE ON ASSETS

As at 30th September, 2017, certain assets of the Group with an aggregate book carrying value of approximately HK$29 million (30th September, 2016: HK$18 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 5,500 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, 2017.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the Code Provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the six months ended 30th September, 2017 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 non-executive directors (including independent non-executive directors) without the executive directors present. 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 of the Company have not been appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meeting in accordance with the Bye-laws of the Company.

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Kwok Lam-Kwong, Larry, *SBS, JP* and Ms. Yeung Chui were unable to attend the Annual General Meeting of the Company held on 17th August, 2017 as they were engaged in other prior business commitments.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the Directors.

All Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by directors as set out in the Model Code for the six months ended 30th September, 2017.

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, 2017 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, 28th November, 2017

As at the date of this announcement, the executive directors of the Company are Mr. Lam Kwong Yu, Mr. Tai Tzu Shi, Angus and Mr. Cheung Chi Shing, Charles, the 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.