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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>

<http://www.irasia.com/listco/hk/starlite>

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2016**

**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, 2016, together with the unaudited comparative figures for the corresponding period in the year 2015, as follows:

**Condensed Consolidated Income Statement  
For the six months ended 30th September, 2016**

	Note	Unaudited Six months ended 30th September,	
		2016	2015
		HK\$'000	HK\$'000
<b>Revenue</b>	3	<b>821,299</b>	967,556
Cost of sales		<b>(657,546)</b>	(771,872)
<b>Gross profit</b>		<b>163,753</b>	195,684
Other gains/(losses) – net	5	<b>7,622</b>	(8,140)
Impairment of property, plant and equipment		<b>(10,000)</b>	-
Selling and distribution costs		<b>(47,425)</b>	(45,443)
General and administrative expenses		<b>(84,719)</b>	(94,169)
<b>Operating profit</b>	6	<b>29,231</b>	47,932

\* For identification purpose

**Condensed Consolidated Income Statement (Continued)**  
**For the six months ended 30th September, 2016**

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30th September,</b>	
	Note	<b>2016</b>	2015
		<b>HK\$'000</b>	<b>HK\$'000</b>
Finance income		<b>214</b>	169
Finance costs		<b>(3,658)</b>	(5,381)
		<hr/>	<hr/>
Finance costs – net	7	<b>(3,444)</b>	(5,212)
		<hr/>	<hr/>
<b>Profit before income tax</b>		<b>25,787</b>	42,720
Income tax expense	8	<b>(13,597)</b>	(14,678)
		<hr/>	<hr/>
<b>Profit for the period, attributable to the owners of the Company</b>		<b>12,190</b>	28,042
		<hr/>	<hr/>
<b>Earnings per share attributable to the owners of the Company during the period</b>			
(expressed in HK cents per share)			
	9		
- Basic		<b>2.32</b>	5.34
		<hr/>	<hr/>
- Diluted		<b>2.32</b>	5.34
		<hr/>	<hr/>
<b>Dividends</b>	10	<b>5,251</b>	5,251
		<hr/>	<hr/>

**Condensed Consolidated Statement of Comprehensive Income  
For the six months ended 30th September, 2016**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the period</b>	<b>12,190</b>	28,042
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Increase/(decrease) in fair value of available-for-sale financial assets	<b>13</b>	(158)
Currency translation differences	<b>(13,201)</b>	(12,769)
Other comprehensive loss for the period, net of tax	<b>(13,188)</b>	(12,927)
<b>Total comprehensive (loss)/income for the period, attributable to the owners of the Company</b>	<b>(998)</b>	15,115

**Condensed Consolidated Statement of Financial Position**  
**As at 30th September, 2016**

	Note	Unaudited As at 30th September, 2016 HK\$'000	Audited As at 31st March, 2016 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		22,222	23,207
Property, plant and equipment		344,922	365,471
Prepayments for property, plant and equipment		3,401	3,921
Deferred income tax assets		3,566	3,967
Available-for-sale financial assets		10,369	10,356
		<u>384,480</u>	<u>406,922</u>
<b>Current assets</b>			
Inventories		117,504	112,840
Trade and bill receivables	11	355,530	218,254
Prepayments and deposits		32,182	25,421
Tax recoverable		1,089	1,814
Bank deposits with maturity over 3 months from date of deposits		4,818	14,496
Cash and cash equivalents		316,234	311,571
		<u>827,357</u>	<u>684,396</u>
<b>Total assets</b>		<u><u>1,211,837</u></u>	<u><u>1,091,318</u></u>
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		52,514	52,514
Reserves	13	528,444	537,319
<b>Total equity</b>		<u><u>580,958</u></u>	<u><u>589,833</u></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		80,601	35,469
Deferred revenue		1,391	1,547
Deferred income tax liabilities		2,599	1,714
		<u>84,591</u>	<u>38,730</u>
<b>Current liabilities</b>			
Borrowings		166,010	175,153
Deferred revenue		214	221
Trade and bill payables	12	191,204	137,760
Accruals and other payables		160,229	125,735
Tax payable		28,631	23,886
		<u>546,288</u>	<u>462,755</u>
<b>Total liabilities</b>		<u><u>630,879</u></u>	<u><u>501,485</u></u>
<b>Total equity and liabilities</b>		<u><u>1,211,837</u></u>	<u><u>1,091,318</u></u>

Notes:

## 1. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th September, 2016 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, 2016, 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, 2016 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.

### Adoption of amendments to existing standards and interpretation

(a) The following amendments to standards and annual improvements are mandatory for the first time for the financial year beginning 1st April, 2016 and currently relevant to the Group:

- |                                                   |                                                                      |
|---------------------------------------------------|----------------------------------------------------------------------|
| • Amendments to HKFRS 10, HKFRS 12 and HKAS 28    | Investments entities applying the consolidation exception            |
| • HKFRS 14                                        | Regulatory deferral accounts                                         |
| • Amendments to HKAS 1                            | The disclosure initiative                                            |
| • Amendments to HKAS 16 and HKAS 38               | Clarification of acceptable methods of depreciation and amortization |
| • Amendment to HKAS 27                            | Equity method in separate financial statements                       |
| • Annual improvements to HKFRSs - 2012–2014 cycle |                                                                      |

The Group has adopted these standards and the adoption of these standards did not have significant impacts on the Group’s results and financial position.

There are no other new standards or amendments to standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

## 2. Accounting policies (Continued)

- (b) The following new standards, amendments to standards and annual improvement have been issued but are not effective for the financial year beginning 1st April, 2016 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 7	Statement of Cash Flows - Disclosure	1st January, 2017
HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1st January, 2017
HKFRS 9	Financial Instruments	1st January, 2018
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1st January, 2018
HKFRS 16	Leases	1st January, 2019

The Group has not applied any new standards, amendments to standards and interpretation that have been issued but are not effective for the current accounting period.

The Group has commenced an assessment of the impact of these new standards and amendments to existing standards but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

### 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/turnover is analysed as follows :

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Sales of packaging materials, labels, and paper products, including environmentally friendly paper products	<b>808,500</b>	952,759
Others	<b>12,799</b>	14,797
	<hr/>	<hr/>
	<b>821,299</b>	967,556
	<hr/> <hr/>	<hr/> <hr/>

#### 4. Segment information

The chief operating decision-maker 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 chief operating decision-maker. The Chairman/Chief Executive Officer of the Company reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Chairman/Chief Executive Officer 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, net profit/loss, capital expenditure, assets and liabilities.

- (i) The segment results for the six months ended 30th September, 2016 and 2015 are as follows:

	Southern China	Eastern China	South East Asia	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Six months ended</b>				
<b>30th September, 2016</b>				
Segment revenue	677,652	151,222	70,803	899,677
Inter-segment revenue	(3,964)	(74,414)	-	(78,378)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Revenue				
from external customers	673,688	76,808	70,803	821,299
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
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)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Profit/(loss) for the period	36,207	(27,645)	3,628	12,190
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Other information :</b>				
Additions to property, plant and equipment	21,492	2,678	1,595	25,765
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Depreciation and amortisation for the period	17,316	6,633	3,720	27,669
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Capital expenditure	22,777	873	1,595	25,245
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Impairment of property, plant and equipment	-	(10,000)	-	(10,000)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>



#### 4. Segment information (Continued)

- (i) The segment results for the six months ended 30th September, 2016 and 2015 are as follows: (Continued)

	Southern China	Eastern China	South East Asia	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Six months ended 30th September, 2015</b>				
Segment revenue	759,494	209,989	84,076	1,053,559
Inter-segment revenue	(168)	(85,732)	(103)	(86,003)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Revenue				
from external customers	759,326	124,257	83,973	967,556
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Operating profit	35,005	10,142	2,785	47,932
Finance income	57	97	15	169
Finance costs	(4,024)	(948)	(409)	(5,381)
Income tax (expense)/credit	(11,870)	(3,036)	228	(14,678)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Profit for the period	19,168	6,255	2,619	28,042
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Other information :</b>				
Additions to property, plant and equipment	12,978	3,076	1,249	17,303
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Depreciation and amortisation for the period	19,131	9,645	3,826	32,602
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Capital expenditure	14,006	5,187	2,303	21,496
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

#### 4. Segment information (Continued)

- (ii) An analysis of the Group's assets and liabilities by segments as at 30th September, 2016 and 31st March, 2016 is as follows:-

	<b>Southern China</b>	<b>Eastern China</b>	<b>South East Asia</b>	<b>Group</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>As at 30th September, 2016</b>				
Segment assets	877,195	166,088	168,554	1,211,837
Segment liabilities	490,308	103,825	36,746	630,879
<b>As at 31st March, 2016</b>				
Segment assets	683,483	237,614	170,221	1,091,318
Segment liabilities	376,955	86,121	38,409	501,485

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

	Unaudited	
	Six months ended	
	30th September,	
	2016	2015
	HK\$'000	HK\$'000
<b>Other gains/(losses) – net</b>		
Net exchange gains/(losses)	1,599	(5,270)
Net gain/(loss) on disposal of property, plant and equipment	1,610	(2,082)
Others	4,413	(788)
	<u>7,622</u>	<u>(8,140)</u>

## 6. Operating profit

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

	Unaudited	
	Six months ended	
	30th September,	
	2016	2015
	HK\$'000	HK\$'000
Employment costs (including directors' emoluments)	257,930	268,684
Depreciation of property, plant and equipment and amortisation of land use rights	27,669	32,602
(Write-back of provision)/provision for impairment of trade receivables – net	(1,033)	7,613
	<u>(1,033)</u>	<u>7,613</u>

## 7. Finance costs – net

	Unaudited	
	Six months ended	
	30th September,	
	2016	2015
	HK\$'000	HK\$'000
<b>Finance costs</b>		
- Interest expense on bank borrowings	3,658	5,280
- Interest on finance leases	-	101
	<u>3,658</u>	<u>5,381</u>
	-----	-----
<b>Finance income</b>		
Interest income from bank deposits	(214)	(169)
	<u>(214)</u>	<u>(169)</u>
	<u>3,444</u>	<u>5,212</u>
	=====	=====

## 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% (2015: 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 (2015: 25%).

## 8. Income tax expense (Continued)

The subsidiaries established in Singapore and Malaysia are subject to Singapore Corporate Income Tax at a rate of 17% (2015: 17%) and Malaysia Corporate Income Tax at a rate of 24% (2015 : 25%) respectively.

	Unaudited	
	Six months ended	
	30th September,	
	2016	2015
	HK\$'000	HK\$'000
Current income tax expense		
- Hong Kong profits tax	4,550	10,636
- Mainland China Corporate Income Tax	7,361	5,319
- Singapore Corporate Income Tax	452	522
	<hr/>	<hr/>
	12,363	16,477
Deferred income tax	1,234	(1,799)
	<hr/>	<hr/>
	13,597	14,678
	<hr/> <hr/>	<hr/> <hr/>

## 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,	
	2016	2015
Profit attributable to owners of the Company (HK\$'000)	12,190	28,042
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue ('000)	525,135	525,135
	<hr/>	<hr/>
Basic earnings per share (HK cents)	2.32	5.34
	<hr/> <hr/>	<hr/> <hr/>

## 9. Earnings per share (Continued)

### *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. Shares issuable under the employee share option scheme are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. There were no share options outstanding during the six months ended 30th September, 2015 and 30th September, 2016.

For the period ended 30th September, 2015 and 30th September, 2016, diluted earnings per share equals basic earnings per share as there were no dilutive potential shares.

## 10. Dividends

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Proposed interim dividends of HK1 cent (2015: HK1 cent) per share	<b>5,251</b>	<b>5,251</b>

## 11. Trade and bill receivables

	<b>Unaudited</b> <b>As at 30th</b> <b>September,</b> <b>2016</b> <b>HK\$'000</b>	Audited As at 31st March, 2016 HK\$'000
Trade receivables	<b>366,217</b>	230,862
Less: provision for impairment of trade receivables	<b>(10,687)</b>	(12,608)
	<hr/>	<hr/>
Trade receivables - net	<b>355,530</b>	218,254
Bill receivables	-	-
	<hr/>	<hr/>
Trade and bill receivables	<b>355,530</b>	218,254
	<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 :

	<b>Unaudited</b> <b>As at 30th</b> <b>September,</b> <b>2016</b> <b>HK\$'000</b>	Audited As at 31st March, 2016 HK\$'000
1 to 90 days	<b>322,948</b>	186,786
91 to 180 days	<b>25,052</b>	24,141
181 to 365 days	<b>6,635</b>	6,671
Over 365 days	<b>11,582</b>	13,264
	<hr/>	<hr/>
	<b>366,217</b>	230,862
Less: provision for impairment of trade receivables	<b>(10,687)</b>	(12,608)
	<hr/>	<hr/>
	<b>355,530</b>	218,254
	<hr/> <hr/>	<hr/> <hr/>

## 12. Trade and bill payables

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

	<b>Unaudited</b>	Audited
	<b>As at 30th</b>	As at
	<b>September,</b>	31st March,
	<b>2016</b>	2016
	<b>HK\$'000</b>	HK\$'000
1 to 90 days	<b>177,728</b>	115,164
91 to 180 days	<b>5,157</b>	13,716
181 to 365 days	<b>593</b>	728
Over 365 days	<b>7,726</b>	8,152
	<hr/>	<hr/>
	<b>191,204</b>	137,760
	<hr/> <hr/>	<hr/> <hr/>



### 13. Reserves

Movements were:

	<b>Unaudited</b>					
	<b>For the six months ended 30th September, 2016</b>					
	Share premium HK\$'000	Other reserve HK\$'000	Investment reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 1st April, 2016	127,796	1,792	1,552	50,113	356,066	537,319
<b>Comprehensive income</b>						
Profit attributable to the owners of the Company	-	-	-	-	12,190	12,190
<b>Other comprehensive income</b>						
Increase in fair value of available-for-sale financial assets	-	-	13	-	-	13
Currency translation differences	-	-	-	(13,201)	-	(13,201)
Total comprehensive (loss)/income for the period	-	-	13	(13,201)	12,190	(998)
<b>Transactions with owners in their capacity as owners</b>						
Transfer	-	5,056	-	-	(5,056)	-
Dividends paid	-	-	-	-	(7,877)	(7,877)
	-	5,056	13	(13,201)	(743)	(8,875)
As at 30th September, 2016	127,796	6,848	1,565	36,912	355,323	528,444
Representing :						
-Proposed dividend	-	-	-	-	5,251	5,251
-Others	127,796	6,848	1,565	36,912	350,072	523,193
As at 30th September, 2016	127,796	6,848	1,565	36,912	355,323	528,444

	<b>Unaudited</b>					
	<b>For the six months ended 30th September, 2015</b>					
	Share premium HK\$'000	Other reserve HK\$'000	Investment reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 1st April, 2015	127,796	1,792	1,417	60,219	293,205	484,429
<b>Comprehensive income</b>						
Profit attributable to the owners of the Company	-	-	-	-	28,042	28,042
<b>Other comprehensive income</b>						
Decrease in fair value of available-for-sale financial assets	-	-	(158)	-	-	(158)
Currency translation differences	-	-	-	(12,769)	-	(12,769)
Total comprehensive income for the period	-	-	(158)	(12,769)	28,042	15,115
As at 30th September, 2015	127,796	1,792	1,259	47,450	321,247	499,544

## **RESULTS**

For the six months ended 30th September, 2016, the Group's turnover amounted to approximately HK\$821 million, a decrease of 15% compared with the same period last year. Profit attributable to owners retreated by 57% to approximately HK\$12 million.

The setback in the Group's results during the period under review was mainly attributable to: (i) withholding of orders by customers as consumer sentiment in major markets weakened, which resulted in a significant decline in the Group's turnover; (ii) management reshuffle with personnel changes in the Group's Suzhou plant which adversely affected the sales performance and operational efficiency of the Group's eastern China operation; and (iii) impairment provision for the equipment of the Group's Suzhou plant.

In light of the slower growth in the United States and the prevailing weakness in the European and Asian markets, the management expects the second half of the year to remain challenging. The Group is taking solid measures to increase its source of revenue, including the expansion of Team Green, the Group's eco-friendly design products brand, and the launch of Qianhai Larsemann Intelligence System (Shenzhen) Limited to develop the intelligent automation business. Details of the measures are described in the "Business Review and Prospects" section.

## **INTERIM DIVIDEND**

The Board of Directors has declared an interim dividend of HK1 cent (2015: HK1 cent) per share for the six months ended 30th September, 2016 payable on Wednesday, 22nd February, 2017 to shareholders whose names appear on the Register of Members on Friday, 6th January, 2017.

## **BUSINESS REVIEW AND PROSPECTS**

### **Hong Kong/Mainland China Operations**

#### *Overview*

During the period under review, the United States experienced a slowdown in economic growth caused by weak business investment and a slowdown in the stockpiling of goods. Sentiment in Europe was weakened by Britain's vote to leave the European Union, whereas growth in China and Japan remained subdued as evidenced by sluggish retail sales. Under the circumstances, customers from different sectors generally adopted a more cautious stance in placing orders, and competition among printing and packaging companies became more intensified. As such, whilst the Group strived to maintain its market share and profitability, both turnover and net profit of the Group suffered a decline during the six months ended 30th September, 2016.

Another major factor affecting the Group's performance during the period under review was the management reshuffle with personnel changes in the Group's eastern China operation. Amidst transition, a slip in marketing and operational efficiency was recorded, resulting in lower sales, higher production costs and higher freight charges incurred by the Suzhou plant. Consequently, the eastern China operation posted a significant loss for the six months ended 30th September, 2016.

In spite of the setback in profit, the Group made progress in expanding its source of revenue during the period under review. Spearheading the original design manufacturing (ODM) and original brand manufacturing (OBM) businesses, Team Green, the Group's eco-friendly design products brand, broadened its product variety and actively expanded its distribution network with more selling points developed in Japan, Hong Kong, ASEAN, China, Europe and the United States. Team Green also made progress in utilizing its design capability to provide ODM services to major enterprises with movie icons.

Separately, the newly-formed subsidiary Qianhai Larsemann Intelligence System (Shenzhen) Limited has begun work to spearhead the intelligent automation business. Officially opened in October 2016, the subsidiary runs a 2,600-square meter operation across four plants in China with some 110 professionals to research, design and develop custom-made machinery and automated equipment primarily for the Group's internal use with the potential of selling them to external parties.

In preparation for Industry 4.0 (the fourth industrial revolution), the Group is continuing the implementation of Enterprise Resource Planning (ERP) and Manufacturing Execution Systems (MES) to further integrate its manufacturing, purchasing, sales, and accounting functions. Ongoing lean management programme, comprising the streamlining of workflow, intelligent automation and value stream mapping, will continue to be adopted to increase operational efficiency and reduce wastage of resources. Caution and prudence will remain the Group's governing principles in financial and cash flow management, in particular on capital investment and customer credit control.

All in all, the Group is working diligently to expand its source of revenue across and beyond the "Five Major Blocks", namely: (i) proprietary products with confidentiality undertakings; (ii) packaging including luxury packaging and specialty printing; (iii) children's books and greeting cards; (iv) the ODM and OBM businesses, and (v) intelligent automation. The Group will prioritize the allocation of resources to these five blocks based on their growth potential. The management is hopeful that these measures will benefit the Group's sustainable growth in the long run.

### ***Southern China Operation***

The Group's southern China operation reported a decrease in turnover during the six months ended 30th September, 2016. However, benefiting from the lean management and efficiency improvement initiatives, it managed to generate a growth in profit.

Whilst continuing as the southern China operation's largest source of revenue, the printing and packaging division recorded less sales as orders from the toys and technology sectors declined. Paper products posted a growth in sales marked by more orders for children's books. Sales of packaging and luxury boxes decreased as retail sales weakened. The management expects business to remain challenging in the second half due to sluggish market sentiment, the seasonal factors of the toys industry, and strong competition in the printing and packaging industry.

The ODM and OBM businesses recorded a growth in sales during the period. Team Green, the Group's eco-friendly design products brand, has been expanding its product range, covering 3D paper puzzles and 3D wooden puzzles, winning the Hong Kong Smart Gifts Design Awards contest with two of its Jigzle© Wooden Puzzles. It has collaborated with world-famous brands including Hallmark, Toys"R"Us, HMV and Piccolia in providing them original equipment manufacturing (OEM) and ODM services and is actively building up its profile by actively attending shows and exhibitions such as the Hong Kong Gifts & Premium Fair 2016 organized by the Hong Kong Trade Development Council. Internet sales of the Team Green products are launched through GreenTaNet.com, the Group's e-business platform, and other online stores.

### ***Eastern China Operation***

The eastern China operation recorded a decline in sales and incurred a significant loss during the period under review, as its management reshuffle with personnel changes adversely affected sales and marketing as well as operational efficiency of the operation. Strong competition among

printing and packaging companies in the Yangtze River Delta and high labour costs also had a negative impact on the eastern China operation.

All divisions of the eastern China operation experienced a decline in sales. The printing and packaging division was the most affected, reporting a high double-digit sales drop, while greeting cards business and specialty printing encountered a smaller decline.

In line with the management reshuffle, the eastern China operation is expected to confront the challenges by leveraging on its position as a leading printing and packaging services provider targeting multinational customers and established Chinese enterprises. Stringent efforts will be made by the eastern China operation to seek to enlarge its clientele in growth sectors in order to resume growth and profitability.

### **Southeast Asia Operation**

The southeast Asia operation recorded a decline in turnover but a growth in profit during the period under review. The decrease in turnover was due to realignment of product range by major clients, strong competition in the printing and packaging industry across the region, and the depreciation of Singapore Dollar and Malaysian Ringgit against the United States dollar. Nonetheless, 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.

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. Such efforts include further penetration in markets such as Australia, New Zealand and ASEAN countries, and exploring the feasibility of developing the ODM and OBM businesses.

## **Prospects**

In its October 2016 World Economic Outlook, the International Monetary Fund (IMF) further cut its growth forecast on the world economy. “Global growth is projected to slow to 3.1 percent in 2016 before recovering to 3.4 percent in 2017. The forecast, revised down by 0.1 percentage point for 2016 and 2017 relative to April, reflects a more subdued outlook for advanced economies.” The IMF warned persistent stagnation in advanced economies could further fuel anti-free trade sentiment and stifle growth; countries need to rely on all economic policy levers—monetary, fiscal and structural—to lift growth prospects.

The IMF forecast underlined the great challenges confronting the Group in the second half of the year and 2017. The Group is determined to meet these challenges by adopting “Upgrade, Diverse Practices, and embracing Industry 4.0” as the guidelines. Through “intrapreneurship”, the Group has successfully given birth to the fourth major business block, Team Green, and fifth major business block, Larsemann Intelligence System. These businesses are steadily developing, and the management is hopeful that they will make contributions to the Group in the not distant future. Internally, the Group is adhering to its “deepening and streamlining” initiatives to reform its operations and increase their competitive advantages, including the further implementation of Enterprise Resource Planning (ERP) and Manufacturing Execution Systems (MES) to strengthen the integration of its manufacturing, purchasing, sales, and accounting functions.

## **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, 2016, the Group’s cash and bank balances and short-term bank deposits amounted to approximately HK\$321 million.

During the period under review, the interest expense of the Group amounted to approximately HK\$3.7 million compared to approximately HK\$5.4 million recorded in the same period of 2015.

As at 30th September, 2016, the Group had a working capital surplus of approximately HK\$281 million compared to a working capital surplus of approximately HK\$237 million as at 30th September, 2015. The Group was in net cash position as at 30th September, 2016. The Group's net gearing ratio as at 30th September, 2015 was 12%, based on short-term and long-term bank borrowings and bill payables, net of bank balance and cash of approximately HK\$68 million and shareholders' funds of approximately HK\$552 million. The Group will continue to adopt prudent policies to maintain a healthy financial position.

#### **CHARGE ON ASSETS**

As at 30th September, 2016, certain assets of the Group with an aggregate book carrying value of approximately HK\$18 million (30th September, 2015: HK\$74 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 more than 6,000 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, internal control, and financial reporting matters, including the review of unaudited interim financial statements for the six months ended 30th September, 2016.

## **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, 2016 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, *BBS, JP* was unable to attend the Annual General Meeting of the Company held on 12th August, 2016 as he 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, 2016.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Wednesday, 4th January, 2017 to Friday, 6th January, 2017 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 3rd January, 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, 2016 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, 23rd November, 2016

*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, BBS, JP and Mr. Tam King Ching, Kenny.*