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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2017

The Directors of Starlite Holdings Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31st March, 2017 together with the comparative figures for the previous year, as follows:

Consolidated Income Statement

For the year ended 31st March, 2017

	Note	**2017**	2016
		HK$'000	HK$'000
Revenue	2	**1,445,870**	1,620,364
Cost of sales		**(1,174,219)**	(1,262,456)
Gross profit		**271,651**	357,908
Other losses - net	3	**(7,673)**	(4,038)
Selling and distribution costs		**(87,533)**	(87,274)
General and administrative expenses		**(155,823)**	(164,718)
Operating profit	4	**20,622**	101,878

**For identification purpose only.*

Consolidated Income Statement (Continued)
For the year ended 31st March, 2017

	Note	**2017**	2016
		HK$'000	HK$'000
Finance income		**350**	356
Finance costs		**(7,579)**	(9,603)
Finance costs – net	5	**(7,229)**	(9,247)
Profit before income tax		**13,393**	92,631
Income tax expense	6	**(22,577)**	(24,519)
(Loss)/profit for the year attributable to the owners of the Company		**(9,184)**	68,112
(Losses)/earnings per share attributable to the owners of the Company during the year			
(expressed in HK cents per share)	7		
- Basic		**(1.75)**	12.97
- Diluted		**(1.75)**	12.97
Dividends	8	**5,251**	13,128

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2017

	2017	2016
	HK$'000	HK$'000
(Loss)/profit for the year	**(9,184)**	68,112
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Increase in fair value of available-for-sale financial assets	**280**	135
Currency translation differences	**(23,904)**	(10,106)
Other comprehensive loss for the year, net of tax	**(23,624)**	(9,971)
Total comprehensive (loss)/income for the year attributable to the owners of the Company	**(32,808)**	58,141

Consolidated Statement of Financial Position

As at 31st March, 2017

	Note	**As at 31st March, 2017 HK$'000**	As at 31st March, 2016 HK$'000
ASSETS			
Non-current assets			
Land use rights		**21,346**	23,207
Property, plant and equipment		**336,360**	365,471
Prepayments for non-current assets		**6,825**	3,921
Deferred income tax assets		**5,620**	3,967
Available-for-sale financial assets		**10,636**	10,356
		380,787	406,922
Current assets			
Inventories		**118,107**	112,840
Trade receivables	9	**244,125**	218,254
Prepayments and deposits		**26,905**	25,421
Tax recoverable		**4,150**	1,814
Bank deposits with maturity over 3 months from date of deposits		**14,106**	14,496
Cash and cash equivalents		**250,334**	311,571
		657,727	684,396
Total assets		**1,038,514**	1,091,318
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**52,514**	52,514
Reserves	11	**491,383**	537,319
Total equity		**543,897**	589,833
LIABILITIES			
Non-current liabilities			
Borrowings		**72,457**	35,469
Deferred revenue		**1,249**	1,547
Deferred income tax liabilities		**6,264**	1,714
		79,970	38,730
Current liabilities			
Trade and bill payables	10	**131,338**	137,760
Current income tax liabilities		**23,095**	23,886
Borrowings		**113,466**	175,153
Accruals and other payables		**146,540**	125,735
Deferred revenue		**208**	221
		414,647	462,755
Total liabilities		**494,617**	501,485
Total equity and liabilities		**1,038,514**	1,091,318

Notes:

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable 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 available-for-sale financial assets 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.

(a) New and amended standards adopted by the Group

The following new and amendment to standards have been adopted by the Group for the first time for the financial year beginning 1st April, 2016.

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 2014	Improvements to HKASs and HKFRSs

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

1. Basis of preparation (Continued)

(b) New and amended standards not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1st April, 2016 and have not been applied in preparing these consolidated financial statements.

		Effective for annual periods beginning on or after
HKAS 7 (Amendment)	Statement of Cash Flows: Disclosure Initiative	1st January, 2017
HKAS 12 (Amendment)	Income Taxes	1st January, 2017
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1st January, 2018
HKFRS 9	Financial Instruments	1st January, 2018
HKFRS 15	Revenue from Contracts with Customers	1st January, 2018
HKFRS 16	Leases	1st January, 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

2. Revenue and segment information

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 environmental friendly paper products.

(a) Revenue is analysed as follows:

	2017	2016
	HK$'000	HK$'000
Sales of packaging materials, labels and paper products, including environmental friendly paper products	**1,423,005**	1,595,685
Others	**22,865**	24,679
	1,445,870	1,620,364

(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.

2. Revenue and segment information (Continued)

(b) Segment information (Continued)

(i) The segment results for the year ended 31st March, 2017 and 2016 are as follows:

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
Year ended 31st March, 2017				
Segment revenue	1,151,991	295,045	151,614	1,598,650
Inter-segment revenue	(9,389)	(143,391)	-	(152,780)
Revenue from external customers	1,142,602	151,654	151,614	1,445,870
Operating profit/(loss)	31,132	(20,340)	9,830	20,622
Finance income	146	154	50	350
Finance costs	(5,923)	(1,257)	(399)	(7,579)
Income tax expense	(20,688)	-	(1,889)	(22,577)
Profit/(loss) for the year	4,667	(21,443)	7,592	(9,184)
Other information :				
Additions to property, plant and equipment	50,105	6,840	2,408	59,353
Depreciation and amortisation	35,313	12,223	7,333	54,869
Capital expenditure	51,468	8,381	2,408	62,257
Provision for impairment of property, plant and equipment	-	10,000	-	10,000

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
Year ended 31st March, 2016				
Segment revenue	1,245,689	365,059	158,609	1,769,357
Inter-segment revenue	(1,518)	(147,374)	(101)	(148,993)
Revenue from external customers	1,244,171	217,685	158,508	1,620,364
Operating profit	68,618	19,036	14,224	101,878
Finance income	128	182	46	356
Finance costs	(7,253)	(1,591)	(759)	(9,603)
Income tax (expense)/credit	(17,581)	(9,107)	2,169	(24,519)
Profit for the year	43,912	8,520	15,680	68,112
Other information :				
Additions to property, plant and equipment	22,052	5,511	2,477	30,040
Depreciation and amortisation	36,656	18,450	7,055	62,161
Capital expenditure	23,671	7,100	2,002	32,773

2. Revenue and segment information (Continued)

(b) Segment information (Continued)

(ii) An analysis of the Group's assets and liabilities by segment as at 31st March, 2017, and 2016 is as follows:

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'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

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
As at 31st March, 2016				
Segment assets	683,483	237,614	170,221	1,091,318
Segment liabilities	376,955	86,121	38,409	501,485

3. Other losses - net

	2017	2016
	HK$'000	HK$'000
Provision for impairment of property, plant and equipment	**(10,000)**	-
Net exchange gains/(losses)	**1,374**	(6,082)
Loss on disposals of property, plant and equipment	**(4,569)**	(2,354)
Others	**5,522**	4,398
	(7,673)	(4,038)

4. Operating profit

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

	2017	2016
	HK$'000	HK$'000
Employment costs (including directors' emoluments)	**467,348**	499,435
Amortisation of land use rights	**711**	744
Depreciation of property, plant and equipment	**54,158**	61,417
Write-back of provision for impairment of trade receivables	**(3,119)**	(1,722)
Provision for inventory obsolescence	**933**	8,581

5. Finance costs – net

	2017	2016
	HK$'000	HK$'000
Finance costs		
Interest expense on bank borrowings	**7,579**	9,471
Interest on finance leases	**-**	132
	7,579	9,603
Finance income		
Interest income from bank deposits	**(350)**	(356)
	7,229	9,247

6. 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.

The subsidiaries established and operated in PRC are subject to PRC Corporate Income Tax at rate of 25% during the year (2016: 25%).

6. Income tax expense (Continued)

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.

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

	2017	2016
	HK$'000	HK$'000
Current income tax expense		
- Hong Kong profits tax	**6,004**	9,040
- PRC Corporate Income Tax	**8,874**	14,708
- Overseas Corporate Income Tax	**261**	974
Under provision in prior years	**324**	1,733
Withholding tax	**4,550**	-
	20,013	26,455
Deferred income tax	**2,564**	(1,936)
Income tax expense	**22,577**	24,519

7. (Losses)/earnings per share

Basic

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

	2017	2016
(Loss)/profit attributable to the owners of the Company (HK$'000)	**(9,184)**	68,112
Weighted average number of ordinary shares in issue ('000)	**525,135**	525,135
Basic (losses)/earnings per share (HK cents)	**(1.75)**	12.97

Diluted

Diluted (losses)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. For the year ended 31st March, 2017 and 31st March, 2016, diluted (losses)/earnings per share equals basic (losses)/earnings per share as there were no dilutive potential shares.

8. Dividends

	2017	2016
	HK$'000	HK$'000
Interim dividend – HK$0.01 (2016 : HK$0.01) per share	**5,251**	5,251
Proposed final dividend – HK$ Nil (2016: HK$0.01) per share	**-**	5,251
Proposed special dividend – HK$ Nil (2016 : HK$0.005) per share	**-**	2,626
	5,251	13,128

9. Trade receivables

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

	2017	2016
	HK$'000	HK$'000
1 to 90 days	**199,580**	186,786
91 to 180 days	**34,708**	24,141
181 to 365 days	**5,926**	6,671
Over 365 days	**12,210**	13,264
	252,424	230,862
Less: provision for impairment of trade receivables	**(8,299)**	(12,608)
	244,125	218,254

10. Trade and bill payables

The ageing of trade and bill payables is as follows:

	2017	2016
	HK$'000	HK$'000
1 to 90 days	**117,185**	115,164
91 to 180 days	**6,844**	13,716
181 to 365 days	**365**	728
Over 365 days	**6,944**	8,152
	131,338	137,760

11. Reserves

Movements were as follows :

	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
Group							
As at 1st April, 2015	127,796	1,792	-	1,417	60,219	293,205	484,429
Comprehensive income							
Profit attributable to the owners of the Company	-	-	-	-	-	68,112	68,112
Other comprehensive income							
- Increase in fair value of available-for-sale financial assets	-	-	-	135	-	-	135
- Currency translation differences	-	-	-	-	(10,106)	-	(10,106)
Total comprehensive income for the year	-	-	-	135	(10,106)	68,112	58,141
Transactions with owners in their capacity as owners							
Dividends paid	-	-	-	-	-	(5,251)	(5,251)
	-	-	-	135	(10,106)	62,861	52,890
As at 31st March, 2016	127,796	1,792	-	1,552	50,113	356,066	537,319
Representing:							
- Proposed dividend	-	-	-	-	-	7,877	7,877
- Others	127,796	1,792	-	1,552	50,113	348,189	529,442
As at 31st March, 2016	127,796	1,792	-	1,552	50,113	356,066	537,319
As at 31st March, 2016 and 1st April, 2016	127,796	1,792	-	1,552	50,113	356,066	537,319
Comprehensive income							
Loss attributable to the owners of the Company	-	-	-	-	-	(9,184)	(9,184)
Other comprehensive income							
- Increase in fair value of available-for-sale financial assets	-	-	-	280	-	-	280
- Currency translation differences	-	-	-	-	(23,904)	-	(23,904)
Total comprehensive loss for the year	-	-	-	280	(23,904)	(9,184)	(32,808)
Transactions with owners in their capacity as owners							
Transfer to statutory reserve	-	-	12,160	-	-	(12,160)	-
Dividends paid	-	-	-	-	-	(13,128)	(13,128)
	-	-	12,160	280	(23,904)	(34,472)	(45,936)
As at 31st March, 2017	127,796	1,792	12,160	1,832	26,209	321,594	491,383

RESULTS

The Group recorded a loss of HK$9 million for the year ended 31st March, 2017, compared to a profit attributable to owners of HK$68 million for the previous year. Revenue was approximately HK$1,446 million, a decrease of 11% compared with the previous year.

The setback in the Group's performance was mainly attributable to: (i) reduction in the quantity and pricing of orders by major customers in the face of weakened market sentiment amidst more intensified competition in the printing and packaging sector; (ii) contraction in the operational efficiency of the Group's eastern China operation as a result of management reshuffle and personnel changes; (iii) impairment provision for the equipment of the Group's Suzhou plant; and (iv) rising price of paper affected the Group's profit margins.

The Group's sales to the United States and Asian markets recorded a decline. With the exception of paper products and greeting cards, all major product categories of the Group posted weaker sales. Moreover, the Group encountered softer pricing of orders as customers took a more cautious stance in light of the sluggish retail sentiment.

On the operational side, the Group's eastern China operation experienced a management reshuffle and personnel changes which caused major interruption to the operational efficiency and sales results of the Suzhou plant. Nonetheless, following the strengthening actions taken by the new management team, the eastern China operation managed to narrow its loss for the full year compared to the loss it recorded in the first half.

Notwithstanding the setback in sales, the Group made progress in expanding its source of revenue during the year. Team Green, the Group's eco-friendly design products brand operating the original design manufacturing (ODM) and original brand manufacturing (OBM) businesses, expanded its product lines and distribution network.

Internally, the Group is implementing lean management programme with full force to take advantage of the opportunities presented by the Chinese government's "Made in China 2025" plan. The Group is also preparing for Industry 4.0 (the fourth industrial revolution) by implementing Enterprise Resource Planning (ERP) and Manufacturing Execution Systems (MES). Stringent control on capital expenditure and customer credit policy is adopted as a safeguard against risks. Details of these measures are described in the "Business Review and Prospects" section.

DIVIDENDS

In order to retain resources for the Group's future development, the Directors do not recommend a final dividend for the year ended 31st March, 2017 (2016: HK1 cent and special dividend of HK0.5 cent per share). An interim dividend of HK1 cent (2016: HK1 cent) was paid for the six months ended 30th September, 2016.

BUSINESS REVIEW AND PROSPECTS

Hong Kong/Mainland China Operations

Overview

Retail sales in major markets deteriorated in the second half of the financial year, with consumer prices further weakened. In light of this, customers from different sectors became more cautious, placing less orders at more rigid prices. At the same time, competition among printing and packaging companies further intensified. Under the circumstances, whilst the Group strived to maintain its market share and profitability, the Group suffered a decline in revenue with a loss attributable to owners incurred for the year ended 31st March, 2017.

Another major factor affecting the Group's performance during the year was the management reshuffle and personnel changes in the Group's eastern China operation which coincided with the high single-digit rise in minimum wages taking place at the Suzhou plant in June 2016. As a result, the eastern China operation recorded lower sales, lower efficiency and higher production costs. Following the strengthening actions taken by the new management team, the performance of the Suzhou plant improved in the second half. Nevertheless, a significant loss was still incurred by the eastern China operation on a full year basis.

In addition, the price of paper increased during the year. This coupled with the lower pricing of orders led to a reduction in the Group's profit margins.

Against these challenges, the Group has been taking measures to increase sales and profitability. Internally, the Group is implementing 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, are extended to more subsidiaries to increase operational efficiency and reduce the wastage of resources. Financial and cash flow management systems are being strengthened to ensure resources are properly allocated, in particular those on capital investment and customer credit control.

Spearheading the original design manufacturing (ODM) and original brand manufacturing (OBM) businesses, Team Green, the Group's eco-friendly design products brand, has broadened its variety of products and expanded its distribution network during the year, with more selling points developed in Japan, Hong Kong, ASEAN, China, Europe and the United States. Team Green is also utilizing its design capability to provide ODM services to major enterprises with hit movie icons.

Qianhai Larsemann Intelligence System (Shenzhen) Limited, a newly-formed subsidiary, is developing the intelligent automation business. The subsidiary researches, designs and develops custom-made machinery and automated equipment primarily for the Group's internal use currently with the potential of selling them to external parties.

Taking a long-term view, the management has adopted the strategy of "Innovation, Unconventional View, Embrace Change and Move Forward" by expanding 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 and the management is hopeful that such long-term strategy will benefit the Group's sustainable growth.

Southern China Operation

The Group's southern China operation recorded a significant decline in profit for the year ended 31st March, 2017.

Paper products and greeting cards generated more sales marked by an increase in orders for children's books. However, sales of the printing and packaging division dropped with orders from the toys and technology sectors declining. Sales of packaging and luxury boxes decreased as retail sales weakened.

The profit margins of the southern China operation were also reduced as customers pressed for lower prices for orders due to sluggish market sentiment, while more intensified competition in the printing and packaging industry put pressure on pricing.

Against this setback, Team Green, the Group's eco-friendly design products brand, recorded a growth in sales during the year. It has expanded 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. Team Green has also collaborated with world-famous brands providing them OEM and ODM services and is actively building up its profile by attending shows and exhibitions. Internet sales of the Team Green products are launched through GreenTaNet.com, the Group's e-business platform, and other online stores.

Qianhai Larsemann Intelligence System (Shenzhen) Limited, the newly-formed subsidiary spearheading the intelligent automation business, has also made progress by strengthening cooperation with scientific research institutions and universities in Mainland China and overseas, on areas ranging from semi-automation to full automation, paving the way for the Group's development of production service centers catering for the consumer market.

Moving forward, the southern China operation will apply intelligent automation and value stream mapping to increase its cost efficiency. It will actively develop other sectors besides the toys industry to expand its clientele. These sectors include the food, cosmetics and information technology sectors to which the Group is expanding its luxury packaging business.

Eastern China Operation

The eastern China operation recorded less sales and a significant loss during the year under review, as the management reshuffle with personnel changes adversely affected its sales and marketing as well as operational efficiency. 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.

Sales dropped across all divisions of the eastern China operation during the year. Specialty printing reported the highest sales decline, followed by the printing and packaging division and the greeting cards business.

Nonetheless, following the strengthening actions taken by the new management team, the performance of the Suzhou plant improved in the second half of the year. 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 a decline both in revenue and profit during the year under review. The setback 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.

To improve its performance, 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.

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, 2017, the Group's cash and bank balances and short-term bank deposits amounted to approximately HK$264 million.

During the year under review, the interest expense of the Group amounted to approximately HK$8 million compared to approximately HK$10 million recorded last year.

As at 31st March, 2017, the Group had a working capital surplus of approximately HK$243 million compared to a working capital surplus of approximately HK$222 million as at 31st March, 2016. The Group was in net cash position as at 31st March 2017 and 31st March 2016. The Group's gearing ratio as at 31st March, 2017 was 34% (2016 : 36%), based on short-term and long-term bank borrowings, bill payables and shareholders' funds of approximately HK$544 million.

CHARGE ON ASSETS

As at 31st March, 2017, certain assets of the Group with an aggregate book carrying value of approximately HK$11 million (31st March, 2016: HK$29 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. Transaction values involving Euro were primarily related to the Group's purchase of machinery.

HUMAN RESOURCES DEVELOPMENT

Currently the Group has approximately 6,000 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 director 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:

— Donation to Jiaying University

— Donation to Polar Museum Foundation

— Donation to China Star Light Charity Fund Association

— Support to Scout Association of Hong Kong

— The Hong Kong Seagulls Scholarship Scheme

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORT

During the year, 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 websites (http://www.hkstarlite.com) within three months after the publication of this annual report.

LOOKING AHEAD

In its World Economic Outlook report published in April 2017, the International Monetary Fund ("IMF") raised its projection for 2017 global growth to 3.5 percent, up from its recently forecast 3.4 percent, while maintaining its 2018 forecast at 3.6 percent. However, the IMF warned that "the upgrade to our 2017 forecast is modest, and longer-term potential growth rates remain subdued across the globe compared with past decades, especially in advanced economies…significant downside risks continue to cloud the medium-term outlook." The report said "one salient threat is a turn toward protectionism, leading to trade warfare. Mainly in advanced economies, several factors…have generated political support for zero-sum policy approaches that could undermine international trading relationships, along with multilateral cooperation more generally."

While the IMF's positive forecast on world economic growth is encouraging, the management believes that the year ahead will remain highly challenging given the threat of protectionism and the fragility and volatility in consumer confidence. Capitalising on its strategy of "Innovation, Unconventional View, Embrace Change and Move Forward", the Group will continue to develop the business of Team Green and Larsemann Intelligence System actively so as to upgrade and diversify itself and to embrace Industry 4.0. 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. The performance of the Suzhou plant has improved in the second half of the year as the new management team adopted strengthening actions. With the stabilization of its sales and operating efficiency, the Suzhou plant is in a good position to make further improvement in a gradual manner. The management remains confident about the Group's long-term growth in spite of the temporary setback in its performance and is actively implementing the measures.

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, 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.

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, 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the Code Provisions in Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the year ended 31st March, 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 allows the Company to be more effective and efficient in developing long-term business strategies and execution of business plans. The Board believes that the balance of power and authority is adequately ensured by the operating of the Board which comprises experienced and high caliber individuals with a sufficient number thereof being Non-Executive Directors.

Code Provision A.2.7 stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. As Mr. Lam Kwong Yu, Chairman of the Company, is also an Executive Director of the Company, this code provision is not applicable.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company have not been appointed for a specific term as they are subject to retirement and re-election at annual general meeting in accordance with the Bye-laws of the Company.

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. 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 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, 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 15th August, 2017 to Thursday, 17th August 2017 (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, 17th August, 2017, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 14th August, 2017.

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, 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, 20th June, 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, 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.